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PAKISTAN JOINS THE NUCLEAR CLUB

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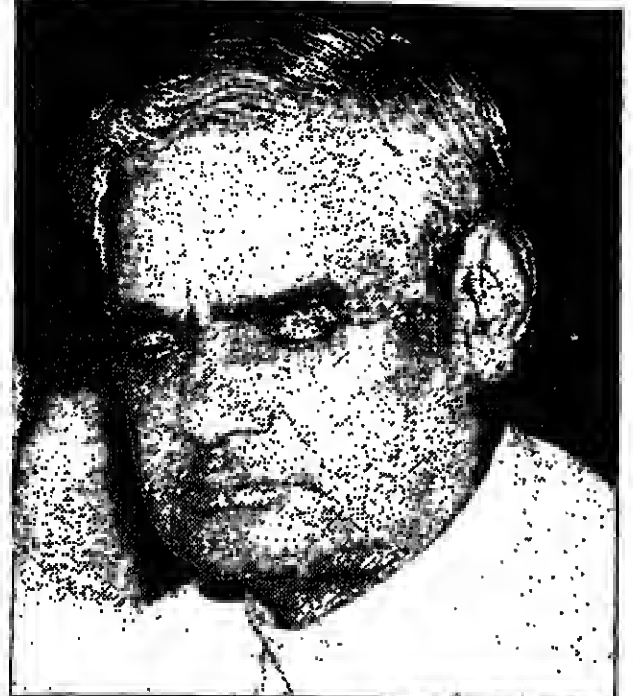
Paris, Friday, May 29, 1998

No. 35,843

5 Tests Are Conducted to Answer India

Global Protests Include U.S. Sanctions

State of Emergency Then Declared



Prime Minister Atal Bihari Vajpayee of India, who said Thursday that "a new situation has arisen."

By Brian Knowlton
International Herald Tribune

WASHINGTON — In an echo of the sharp U.S. reaction to India's nuclear tests, President Bill Clinton condemned Pakistan on Thursday for conducting its own tests and announced somberly that he had "no choice" but to order economic sanctions.

"I deplore the decision," the president said. "By failing to exercise restraint and responding to the Indian tests, Pakistan lost a truly priceless opportunity to strengthen its own security, to improve its political standing in the eyes of the world."

"Although Pakistan was not the first to test, two wrongs do not make a right," Mr. Clinton said.

Other countries issued their own condemnations, as did NATO. They mirrored the earlier reaction to the Indian tests. Most countries harshly criticized those tests, but only a few, including Japan, ordered sanctions.

Any sanctions against Pakistan by Japan would have a dramatic effect. Japan provided \$434 million in subsidized loans and \$44 million in aid grants to Pakistan in the year ending March 31, 1997. That is more than half the total from all other developed nations.

Japan had suspended new loans and grants to India and temporarily recalled its ambassador.

China, which has had a close military relationship with Pakistan and tense ties with India, expressed "deep regret" about the latest tests. A Foreign Ministry spokesman, Zhu Bangzao, called on all countries in South Asia "to exercise the utmost restraint and to immediately abandon all nuclear weapons development programs."

Germany said it was canceling economic development talks with Pakistan and would seek to prevent exports of arms and high-technology components by German companies to Pakistan and India.

France, which earlier this month joined its partners in the Group of Eight industrialized nations in condemning the

By John Ward Anderson
and Kamran Khan
Washington Post Service

ISLAMABAD, Pakistan — Pakistan conducted five underground nuclear tests on Thursday, accelerating the arms race in South Asia and delivering a fresh blow to the worldwide campaign to curb weapons of mass destruction.

The tests came after two weeks of intense international pressure on the Pakistanis to show restraint.

Pakistan's first nuclear detonations followed the underground explosion of five nuclear devices by its neighbor and rival, India, on May 11 and 13.

Hours after the Pakistani tests, the country's president declared a state of emergency, citing a "threat by the external aggression to the security of Pakistan," the state-run news agency said. A state of emergency suspends Pakistan's constitution and the legal system. The announcement from President Rafiq Tarar did not identify who the aggressor was.

Pakistan and India, which are among the world's poorest countries, have fought three wars since their creation in 1947, when India won independence from Britain and was partitioned along religious lines.

"Today, we have settled a score and have carried out five successful nuclear tests," Prime Minister Nawaz Sharif of Pakistan said in a broadcast speech to the nation that was short on details.

The tests were apparently conducted in the afternoon at the Chagai Hills test site in western Pakistan, near the border with Iran.

India, with its tests, destroyed the strategic balance and deterrence that had existed between the two countries, Mr. Sharif said in a second, sober address to the Pakistani and international press.

"Our security, and the peace and stability of the entire region, was gravely threatened," he said. "As any self-respecting nation, we had no choice left for us. Our hand was forced by the present Indian leadership's reckless actions."

"We could not ignore the magnitude of the threat."



Pakistanis dancing in a Karachi street Thursday to celebrate the nuclear tests carried out by their country.

Notably absent from Mr. Sharif's speech was a pledge, made by India and then revised on Wednesday, for a "no first use" agreement to govern nuclear weapons. In fact, Mr. Sharif suggested just the opposite, noting, "These weapons

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Yeltsin Seeks West's Help To Shore Up Ailing Ruble

By Celestine Bohlen
New York Times Service

MOSCOW — As Russian financial markets steadied slightly after this week's record plunge, President Boris Yeltsin said Thursday that he would call on Western leaders to help defend the embattled ruble.

His appeal was echoed by a top finance official, who said Moscow would need a hefty rescue package from the West — more generous than a \$700 million loan already expected from the International Monetary Fund — if it is to stem the panic that has threatened Russia's economic and political stability.

Speaking at a televised meeting of government officials hastily summoned to his country house, Mr. Yeltsin said he would be calling foreign leaders, including President Bill Clinton and Chancellor Helmut Kohl, to ask them to support Russia as it proceeds with a plan for a new round of spending cuts and more vigorous tax collection measures.

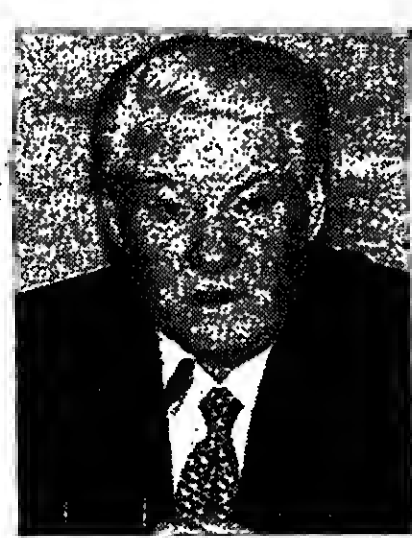
"Foreign investors should feel confident there will be no collapse of financial markets in Russia," Mr. Yeltsin said, tapping the table for emphasis.

"The central bank and Finance Ministry today possess enough reserve funds to stay afloat. That's what is important."

According to the latest report from the central bank, Russia's gold and currency reserves stand at \$14.5 billion, against the \$23 billion declared in October.

Maintaining the stability of the ruble was a key achievement of Mr. Yeltsin's previous government over the last few years, and as the new government's near-desperate actions to keep the shaky Russian economy on track.

The arrival Thursday evening in Moscow of a top official of the International Monetary Fund is seen here as a sign that some help is already on the way. John Odling-Smee, the Fund official in charge of the former Soviet republics, was expected to confirm approval of a \$700 million installment of a



"Heads will roll," Mr. Starr said.

\$10 billion loan to Russia, delivering a seal of approval that has been closely watched by financial markets in Russia and abroad.

At a news conference Thursday in Kazakhstan, the IMF director-general, Michel Camdessus, said Russia's latest efforts had convinced the Fund that the country was serious about tackling its budget deficit.

"These are important enough that we believe we can release the next tranche of support," he said, adding that an announcement would come "in the next few days."

But the Russian deputy finance minister, Oleg Vyugin, said Moscow needed the psychological lift of more foreign credits — even if those credits turn out to be unnecessary.

See RUSSIA, Page 5

Starr's Evidence Strong

While supporting President Bill Clinton's legal argument invoking executive privilege, the federal judge overseeing Kenneth Starr's investigation of the Monica Lewinsky scandal decided after reviewing secret evidence compiled by the independent council that the need to hear testimony by his aides outweighed the president's right to confidentiality.

Chief U.S. District Judge Norma Holloway Johnson's decision May 4, which was unsealed Wednesday along with legal pleadings related to the ruling, found a legal basis for claiming executive privilege to try to prevent prosecutors from asking senior White House aides about conversations concerning the investigation. But Judge Johnson said Mr. Starr had shown her evidence privately that showed such testimony to be too important to be protected.

"If there were instructions from the president to obstruct justice or efforts to suborn perjury, such actions likely took the form of conversations involving the president's closest advisers," Judge Johnson wrote.

The judge noted the similarities between the case and the successful efforts by prosecutors to force President Richard Nixon to surrender secret Oval Office tapes involving Watergate. Mr. Nixon also cited executive privilege in his legal arguments, which led Judge Johnson to note "the factual similarities between the Nixon cases and the case at hand."

In her ruling, Judge Johnson also made the unprecedented finding that Hillary Rodham Clinton, the first



Kenneth Starr on Thursday.

lady, is covered by executive privilege as a de facto senior adviser to the president.

In Los Angeles, Ms. Lewinsky arrived at a federal building Thursday morning to give handwriting, fingerprint and voice samples as part of the investigation. She had no comment to reporters and looked forward without expression as she was met by five FBI agents.

In Washington, a presidential confidant, Vernon Jordan Jr., returned Thursday to testify to the grand jury investigating Mr. Starr's allegations in the case. Page 3.

Danes Accept EU Treaty

Margin of Victory Larger Than Expected

COPENHAGEN — Danes surprised European Union governments on another cornerstone EU vote Thursday, this time by approving a treaty by a much wider-than-expected margin.

With 98 percent of the vote counted, "yes" votes outnumbered "no" votes by 55 percent to 45 percent, the Interior Ministry reported. In a referendum on the EU's Amsterdam treaty.

Two exit polls broadcast immediately after polling stations closed across the country had also indicated a victory for the "yes" side.

The Amsterdam treaty, designed to reform EU institutions, paves the way for the 15-member Union to admit up to 10 new countries from Central and Eastern Europe. It marks a step toward deeper integration within the EU through greater cooperation on crime, employment, environmental, asylum and refugee issues and in foreign and security policy.

Denmark is the only EU member where ratification of the treaty was seen as more than just a formality.

Poland, the Czech Republic, Hungary, Slovenia and Estonia are expected to be admitted to the Union first, but the treaty cannot take effect unless all EU members ratify it.

Only Denmark, Portugal and Ireland scheduled plebiscites. The other countries plan to adopt the Amsterdam treaty in their parliaments.

In 1992, Danish voters unexpectedly rejected the Maastricht treaty, shocking EU governments. That agreement dealt

with the single European currency, a joint EU defense and EU authority over some areas of domestic affairs. A revised treaty, giving Denmark the safeguards it requested, was approved the following year.

Denmark has voted four times since 1972 on treaties creating and expanding European integration. Danes always expressed reservations, but in the end approved all the agreements.

Prominent supporters of the Amsterdam treaty were elated Thursday, while opponents acknowledged they had had the wind knocked out of them.

The head of the Euroskeptical June Movement, Drude Dahlerup, said she was disappointed by the initial results of the Amsterdam treaty vote.

"These are only polls, let's wait. But it is disappointing that the country is so divided," she said, accusing Prime Minister Poul Nyrup Rasmussen of "frightening Danes with talk of iso-

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AGENDA

Indonesia Pledges Elections Next Year

President B. J. Habibie of Indonesia agreed with parliamentary leaders Thursday on a plan to hold elections in 1999, after an overhaul of the country's political system by the national assembly later this year.

Mr. Habibie, struggling to stabilize his week-old government and gain renewal of aid from the International Monetary Fund, offered the timetable for political change in response to rising opposition pressure.

He met with the Parliament speaker, Harmoko, and senior cabinet members in a parliamentary building surrounded by troops and armored personnel carriers and flanked by hundreds of student demonstrators. Page 4.

The Dollar			
New York	Thursday 4 P.M.	previous close	
DM	1.781	1.7835	
DM	1.628	1.631	
Yen	138.75	137.375	
FF	5.971	5.978	

The Dow			
Thursday close	previous close		
+33.63	8970.20	8936.57	

S&P 500			
Thursday 4 P.M.	previous close		
+3.33	1097.56	1092.23	

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Crossword	Page 22.
Opinion	Pages 8-9.
Sports	Pages 22-23.
The Intermarket	Pages 7, 17.
The Internet	www.ihf.com

Is Intel the Next Target?

U.S. Prepares Antitrust Suit Against Chipmaker

By Joel Brinkley
New York Times Service

WASHINGTON — The Federal Trade Commission is preparing to file a major antitrust suit against Intel Corp., charging the company with abusing its position as the monopoly manufacturer of microprocessor chips for personal computers and bulging some computer manufacturers, according to lawyers involved in the investigations.

The suit will accuse Intel of selectively withholding key technical information about its microprocessor chips from the computer manufacturers with which Intel is involved in patent and related product disputes. Without that data, the manufacturers are unable to design new products.

If filed as planned, the suit would be the second front in the federal government's assault on "Wintel," as the personal computer juggernaut built around Microsoft Corp.'s Windows operating system and Intel's microprocessors is known in industry parlance. Intel's processors and Microsoft's operating sys-

tems are the brains and nervous system, respectively, that run 90 percent of the world's personal computers.

The Justice Department and 20 state attorneys general filed antitrust actions against Microsoft on May 18. A federal judge in Washington combined those cases, and they are scheduled to be heard in September.

The Federal Trade Commission lawyers said the commission might file even more charges against Intel, accusing the company of using predatory pricing and contract provisions to expand its monopoly position and to squeeze its few competitors out of the market. Those are the same general complaints filed against Microsoft last week.

Chuck Mulloy, a spokesman for Intel, in Santa Clara, California, said: "Our view is that we are not going to comment because this is not public yet. We

See INTEL, Page 5

An On-Line Conviction

Ex-Chief of German CompuServe Sentenced

By Alan Cowell
New York Times Service

BONN — In a ground-breaking decision with wide ramifications, a judge in Bavaria ordered a suspended jail term Thursday for the former head of CompuServe Deutschland on charges of spreading pornography.

The suspended two-year term represented the first time in Germany that the manager of an on-line company had been held legally responsible for Internet images accessed through its service. And it raised much broader questions — not just about the future of Internet businesses based in Germany but about the policing of cyberspace.

"This is certainly going to cast a pall over the Internet business in Germany," said Christopher Kuner, a Frankfurt lawyer specializing in Internet issues. "Internationally, it will give Germany a black eye."

Felix Somn, the former head of CompuServe Deutschland, was indicted in April 1997 on 13 counts of distributing pornography involving children

and animals on news groups allegedly accessed via CompuServe.

The indictment raised an outcry among advocates of free expression and among experts who argued that it was technically impossible to block the offensive sites. Initially, CompuServe Deutschland did close down some 200 sites, but that produced a further outcry that some of the sites had nothing to do with pornography.

On top of that, the German Parliament later approved legislation largely exempting access providers from legal responsibility for material beyond their control. The law, Mr. Kuner said, made access providers liable for the content of their own material or stored, third-party material "only to the extent it would have been reasonable to block it."

Under those laws, Mr. Somn's supporters said, it would have been difficult to bring him to trial. Indeed, even in Mr. Somn's case, both the defense and the prosecution in a Munich courtroom argued Thursday that he be acquitted.

See COMPUSERVE, Page 5

Newstand Prices			
Andorra	10.00 FF	Lebanon	11.3000
Antilles	12.50 FF	Morocco	16 DH
Cameroun	1.600 CFA	Qatar	10.00 QR
France	10.00 FF	Saudi Arabia	10 SR
France	10.00 FF	Saudi Arabia	10 SR
Gabon	1.100 CFA	Senegal	1.100 CFA
Italy	2.800 Lire	Spain	225 Ptas
Ivory Coast	1.250 CFA	Tunisia	1.250 Dh
Jordan	1.250 JD	U.A.E.	10.00 Dh
Kuwait	700 Fils	U.S. MR. (Eur.)	\$1.20



Seniors Boogie Down/ Nostalgic for Simpler Times

Beijing Thumps to the Sound of a Folk Revival

By John Pomfret
Washington Post Service

BEIJING — With his Coke-bottle glasses glistening in the twilight and his reed-thin arms flailing to the raucous beat of a drum and two cymbals, Hu Chen leads his group to the climax of another evening's dance. Behind him, boogying two by two, fans waving, scarves flying, a line of grooving dancers mimics his spasmodic lead.

Grooving? Well, graying at least. The dancers are mostly in their 60s. Every night in this small park in Beijing's Chaoyang neighborhood and across the city as well, some 70,000 senior citizens hit the streets in groups of 30 to dance this traditional jig — known as *yang ge*, or the dance of the seedlings.

After years of debate, criticism and restrictions, *yang ge*, which originated in the northern countryside to celebrate harvests, is blooming in this dusty metropolis of 14 million. Two years ago, a Beijing city hot line registered more than 1,600 complaints in three days about the ear-shattering folk dance. A TV news show suggested that the dance be suppressed. Today, city dwellers still grumble, but the elderly have definitely won out.

"Two years ago, the city government tried to control this dance," said Ren Hai, a professor at the Beijing Institute of Sports. "They set up guidelines, times, places, but I don't think the old folks are paying too much attention. They're pretty much dancing wherever they please."

At the Sports Institute, Mr. Ren, who has studied *yang ge*, says the dance's popularity illustrates much about the deep changes that have rocked China in the two decades since it opened itself up to the rest of the world. Its obstinate survival shows the fragility of the Chinese legal system, which has tried and failed to limit the discordant dance. Its popularity among older people underscores their nostalgia for simpler times and the contradictory sense that China's Communist history robbed them of their youth.

Many of China's crazes take root not among the young but among their seniors, who through the years have searched for health, well-being and fun in a variety of wacky ways. In the 1960s, they trundled off to hospitals to get injections of chicken blood extracts, which supposedly ensured long life.

In the 1970s, it was tai chi. In the 1980s, disco mornings for oldsters in Beijing parks made news papers around the world. Then came "gray panther" aerobics. And now *yang ge*.

"This is a dance that comes from the masses," says Li Changhao, 60, who has been dancing almost

every night for two years.

"The movements all come from the countryside," he said, demonstrating "riding a horse" by boncing, "turning the beans" (he twirls his right hand), "carrying water" (he shrugs his shoulders).

Mr. Li is one of the few men who participate in the South Table Lane troupe, a collection of retired schoolteachers, government officials, scientists and office workers who gather to boogie to *yang ge*'s hoisterous beat.

At 42, Ma Shuyue, a plump office worker with an easy grin, is one of the youngest aficionados. She swears by the curative properties of *yang ge*. She also loves the clothes. On a recent night she looked fabulous in a red-and-white pantsuit, set off magically by Mr. Li's all-white combo of pants, T-shirt and shoes.

Yang ge was first brought to China's northern cities by the People's Liberation Army during World War II. The army danced for the city folk as part of its campaign to win the hearts and minds of China's people.

The performances continued into the early 1950s, and Mr. Ren and others hypothesize that it is perhaps a longing for these simpler times — before China's disastrous cycles of destructive political movements and maniacal economic programs left millions dead or jailed — that prompted a revival.

MR. REN CONTENTS that for women like Yu Jianchen, 54, a former government official, dancing *yang ge* fulfills another need: to wear bright clothes, to feel beautiful, to show off, to make noise.

For years, as Mrs. Yu and other *yang ge* dancers were growing up, the Chinese government forced its citizenry to wear two colors — blue and green. Girls were pressured to exchange pigtails for pageboys, and a bizarre asexuality dominated society. Femininity was criticized.

These days on the streets of Beijing and other major cities, an explosion of styles has changed the sartorial face of China. Among young women, it appears that skimpier is better. Among men, shiny gray polyester suits are giving way to conservative blue, with loud red ties — sporting koala bears and dollar signs — a popular accessory.



Li Changhao, 60, leading Beijing residents through a type of folk dance called *yang ge*.

These changes have created an enormous demand among the older generations for their day in the sun. Mr. Ren said, "Many people spend hours making up," he said, "and with *yang ge*, the more outrageous the better." But he also points out that the dancers would never do this stuff alone. Indeed, it is the collective nature of *yang ge* that nurtures and protects their individual wackiness.

"In North America, your sports revolve around the individual," said Mr. Ren, who has a doctorate from the University of Alberta. "But China is different. These people feel more comfortable being wild and crazy only within the collective."

Well, the neighbors and workers in Chaoyang district don't necessarily love the dancers.

"It's horrible," said Liu Yanhai, 17, who is preparing for a nationwide college entrance exam and lives 100 feet from the South Table Lane troupe's stomping ground. "I go to my friend's house to study now."

Serbia and Montenegro On a Collision Course

By Chris Hedges
New York Times Service

UBLI, Yugoslavia — After the nationalist wars that saw four republics secede from Yugoslavia, the Serbs in the two remaining republics, Serbia and Montenegro, have begun battling one another as contentious parliamentary elections approach in Montenegro on Sunday.

They use the same arguments based on historical myth, racism and nationalist pride that fueled the war in Croatia and Bosnia.

The supporters of the president of Yugoslavia, Slobodan Milosevic, charge that Milo Djukanovic, a Montenegrin Serb who is supported by the ethnic Albanian and Muslim minority, is a tool of Islamic forces out to destroy the Serbs and break up Yugoslavia. The Milosevic backers often refer to the Albanians and other Muslims as "Turks."

Mr. Djukanovic, in oratorical flourishes that delight his audiences, promises that once Montenegro is freed from Belgrade's grip, it will achieve economic prosperity and be integrated into the community of European nations.

Both arguments are open to question, given the country's parochialism, crumbling infrastructure, isolation and crushing poverty.

"This is the most serious crisis to face the country since the formation of the third Yugoslav state this century," Mr. Djukanovic said, seated in his office in central Podgorica. "The tactics used against us are aimed at pushing us out of the union. Milosevic is preparing the ground to declare a state of emergency, but he will fail. Montenegro will never tolerate the use of violence to subjugate it to Belgrade."

The conflict, which Western diplomats fear could lead to internecine violence, has pitted the wily Mr. Milosevic against Mr. Djukanovic, his only real political rival in Yugoslavia. Theirs is a deeply bitter and personal feud.

The two men, once allies, could not be more different. Where Mr. Milosevic is secretive, rarely given to public appearances and wooden, his rival is telegraphic, loquacious and charismatic. But they are linked by their autocratic style and the fortunes they made using government structures to get around international sanctions.

As part of the effort to destroy Mr. Djukanovic, the Yugoslav president had the federal Parliament name his protégé, Momir Bulatovic, as federal prime minister May 20.

The decision to give the post to Mr. Bulatovic, the former president of Montenegro who lost his office to Mr. Djukanovic in an election last year, is seen by many Western diplomats as laying the groundwork for Mr. Djukanovic's removal, perhaps by Mr. Milosevic's declaring a state of emergency in Montenegro.

Western diplomats are seeing that the moves against Montenegro coincide with the U.S. decision to ease economic pressure against Belgrade.

Sanctions imposed May 9 were suspended after a last-minute agreement brokered by a U.S. envoy, Richard Holbrooke, that saw Mr. Milosevic and the ethnic Albanian leader, Ibrahim Rugova, sit down for the first time for talks to

discuss the crisis in the province of Kosovo in southern Serbia.

Montenegro, despite its population of 650,000 against Serbia's 10.5 million, is showing signs that it will go down fighting. The Montenegrin Parliament, controlled by Mr. Djukanovic, has announced that it will no longer respect the laws promulgated by the federal Parliament. It said it would not recognize the new prime minister and would ignore the dictates of Mr. Milosevic.

"Montenegro, every day, takes one step further away from Belgrade," a European ambassador said, "and this is one step closer toward intervention from the military to shut down the Djukanovic government. We are nearing a point where this becomes open rebellion."

Mr. Milosevic has begun to undermine the Montenegrin government, which in theory is an equal partner with Serbia in the Yugoslav federation.

He has halted pension payments and federal funds to Montenegro. He has named Mr. Djukanovic from assuming his constitutional role in the federal government and publicly humiliated him, refusing to invite him to the ceremony commemorating the establishment of Yugoslavia or allow him to take his seat in the federal defense council.

The government-run media in Belgrade are full of reports of plans by Djukanovic supporters for election fraud in the parliamentary elections Sunday. Mr. Bulatovic has called on his followers to gather in the streets and "react" if the vote is stolen.

When Mr. Djukanovic was inaugurated in January, Milosevic supporters staged several days of street protests with the assistance of toughs hired from Serbia. Montenegrin officials say they are preparing for another round of violence after the parliamentary voting, which Mr. Djukanovic is expected to win.

Milosevic supporters have marched through the streets of Podgorica, the Montenegrin capital, chanting, "Who will be the first and who will be the second to drink Turkish blood?"

Paris Wants Talks On Pilots' Strike

Agence France-Press

PARIS — The government, stepped in Thursday to try to head off a crippling strike by Air France pilots during the World Cup soccer tournament next month.

Transport Minister Jean-Claude Gaysot, seeking to defuse a dispute between pilots and the national flag carrier, leaned in favor of the pilots, while urging quick talks to avert transport disruptions during the Cup, which runs from June 10 to July 12. Pilots have threatened to strike for two weeks starting June 1.

Mr. Gaysot, a member of the Communist Party, stressed that cost-cutting by Air France "need not be focused only on salaries."

The main pilots' union, which had firmly opposed the airline's proposal to grant stock in exchange for a pay cut, said it was willing to accept the plan if "it was for a limited period of four or five years."

Saddam's Daughter Sues in Bid to Recover Millions

By Youssef M. Ibrahim
New York Times Service

LONDON — A daughter of President Saddam Hussein of Iraq has begun legal action in Amman, Jordan, to recover millions of dollars that she claims belonged to her husband, who turned against Mr. Saddam and was killed in 1996.

The suit focuses attention on the huge sums that are thought to be held by President Saddam's family, particularly two sons-in-law who defected and were killed.

The two men, Major General Hussein Kamel and his brother Saddam, defected to Jordan in August 1995. General Kamel had directed Iraq's clandestine weapons program; Saddam Kamel had led a branch of the secret police.

In Jordan, General Kamel expressed a determination to topple his father-in-

law, but found himself isolated by Jordan and by the West, and even by opposition groups.

The brothers were eventually promised a safe return to Baghdad, and went there in February 1996, apparently believing that with so much money under their control, Mr. Saddam would spare their lives.

They were wrong: They were killed during a gun battle with members of the president's Takriti clan.

Now it appears that Iraq's rulers are beginning to trace the secret locations where the money was concealed.

The legal measure begun by Mr. Saddam's daughter was evidently taken with his approval or on his orders.

The Kamels' widows, Rana and Rajad, are believed to be under house arrest. It was Rana, the widow of Saddam Kamel, who took the legal action.

The killings of the two men left many

questions unanswered, including how much money the defectors controlled. Last Saturday a Jordanian weekly, *Al Urdun*, estimated these funds as high as \$1 billion. Several Jordanian and Arab officials suspect the money is controlled by a network of Iraqi businessmen and friends of General Kamel.

"Nobody knows exactly how much money is out there," said one Jordanian official. But he said General Kamel had authority over several billion dollars of government money when he directed Iraq's nuclear, chemical and biological arms programs.

"He had Saddam Hussein's total confidence and a carte blanche to spend it as he saw fit," the official said.

In the papers filed in Amman, Rana Saddam Hussein Kamel claimed that a Jordanian bank, which was not identified, had failed to pay interest adding up to "tens of millions of dollars" on

funds held in the name of "the South Asia Organization."

She claims the funds rightfully belonged to her husband, and now belong to their three children, Mr. Saddam's grandchildren. The document threatens further legal action if the claimed money is not returned promptly.

A copy of the legal filing was reproduced in *Al Urdun*.

The Kamel brothers are believed to have hidden smuggled funds with a dozen close associates around the world, most of them from the Middle East, who are presumed to have pocketed the money after the men were killed.

The episode is part of a two-year effort by Iraqi intelligence to recover the money. The trail includes incidents in which at least six Iraqi diplomats and businessmen connected to the Kamel brothers were killed, in Baghdad in 1996, and in Amman in December.

TRAVEL UPDATE

Air France to Cut Flights June 1-4

PARIS (AFP) — Air France, the official World Cup airline, announced Thursday that it would cancel 75 percent to 90 percent of its flights from June 1 to 4 due to a strike call by six pilots' unions.

The carrier said that it would maintain 10 percent of its long-haul flights and 25 percent of its medium-haul flights from Roissy-Charles de Gaulle Airport and 17 percent of short- and medium-haul flights from the other Paris airport, Orly.

The pilots have threatened a two-week strike starting June 1 that would spill over into the start of the World Cup soccer tournament, which runs from June 10 to July 12.

A slowdown by Spanish air traffic controllers delayed national and international flights Thursday. Barcelona's Prat Airport was the worst affected by the work-to-rule protest, with some flights delayed more than two hours. (AP)



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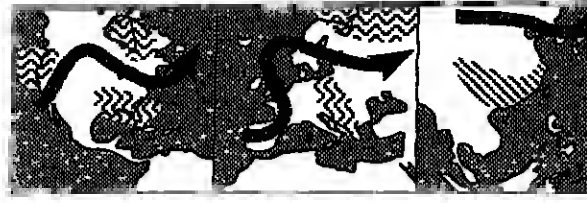
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WEATHER

Forecast for Saturday through Monday, as provided by AccuWeather.



North America
Sunshine and hot over the Gulf Coast states Saturday through Monday. Sunny in the Northeast and cooler in the Midwest. Saturday, but warm again Sunday and Monday with a thunderstorm possible. Monday partly sunny and will be cooler. Cool in the Northwest Saturday with occasional rain. Sunday and Monday with showers and a thunderstorm.

Europe
Turning cooler in Moscow this weekend with showers and rain. Warm in the Balkans and the Mediterranean. Sunday and Monday with a thunderstorm possible. Monday partly sunny and will be cooler. Cool in the Northwest Saturday with occasional rain. Sunday and Monday with showers and a thunderstorm.

Asia
Dry and cool in Seoul Saturday, then mild Sunday through Monday. Warm in the South. Sunday and Monday with a thunderstorm possible. Monday partly sunny and will be cooler. Cool in the Northwest Saturday with occasional rain. Sunday and Monday with showers and a thunderstorm.

Legend: sunny, partly cloudy, cloudy, showers, thunderstorms, rain, snow, ice, W-Weather.

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THE AMERICAS

Starr's Secret Evidence Overwhelmed Judge's Support for Confidentiality

By Peter Baker
and Susan Schmidt
Washington Post Staff Writers

WASHINGTON — The federal judge overseeing the Monica Lewinsky investigation agreed with President Bill Clinton's legal argument invoking executive privilege but decided that his right to confidentiality was outweighed after Kenneth Starr, the independent counsel, privately presented secret grand jury evidence to her.

In a May 4 decision that was made public Wednesday, Chief U.S. District Judge Norma Holloway Johnson determined that Mr. Clinton could legitimately claim executive privilege to try to prevent prosecutors from asking senior aides about internal White House conversations concerning the Lewinsky probe. But Judge Johnson added that a private meeting with Mr. Starr in her chambers had convinced her that the testimony of those aides was important enough to negate Mr. Clinton's assertion of confidentiality.

"If there were instructions from the president to obstruct justice or efforts to suborn perjury, such actions likely took the form of conversations involving the president's closest advisers, including Lindsey and Blumenthal," Judge Johnson wrote, citing Bruce Lindsey, deputy counsel, and Sidney Blumenthal, communications strategist.

The documents unsealed Wednesday — which include Judge Johnson's 34-page ruling and an inch-thick stack of legal pleadings — offered the first inside glimpse of the fierce legal battle that has been waged behind closed doors for months between the White House and Mr. Starr's office.

White House lawyers have filed a notice that they intend to appeal the ruling. But an appeals court has sent the case back to Judge Johnson because the White House simultaneously asked her to reconsider her ruling.

Until Wednesday, both sides were forbidden by court order from discussing the matter, and Mr. Clinton has declined even to acknowledge that he invoked the privilege. His legal briefs, though, made clear how real the specter of impeachment was for Mr. Clinton in the first few weeks after Mr. Starr began in January to investigate allegations that Mr. Clinton had had an affair with Ms. Lewinsky, lied about it under oath and urged her to do so as well.

Throughout the court papers, Mr. Clinton's lawyers cited the possibility of congressional impeachment proceedings as a justification for his claim of executive privilege, arguing that he needed candid and private advice from his aides about how to counter any effort to remove him from office.

The court papers revealed a private debate about the contours of presidential secrecy the likes of which have not played out since President Richard Nixon failed, while citing executive privilege, to prevent prosecutors from obtaining secret Oval Office tapes involving the Watergate cover-up. Indeed, Judge Johnson repeatedly referred to that case in her ruling, at one point writing of "the factual similarities between the Nixon cases and the case at hand."

In addition to the first explanations of the competing legal arguments and Judge Johnson's ruling, the papers also provided several key new details about the investigation, although the court withheld many significant elements, such as the questions that Mr. Lindsey and Mr. Blumenthal refused to answer before the grand jury.

Among other things, the court documents confirmed that Mr. Lindsey has been debriefing grand jury witnesses or their lawyers after their testimony in the Lewinsky matter.

While news organizations previously reported that Mr. Blumenthal had declined to disclose his discussions with Hillary Rodham Clinton about the Lewinsky situation, the documents show that Mr. Lindsey also had cited executive privilege to protect his conversations with her.

In her ruling, Judge Johnson concurred that the first lady serves as a de facto senior adviser to the president and, in the first such ruling by a judge, concluded that she is covered by executive privilege.

A third aide also cited executive privilege in declining to answer questions before the grand jury about Ms. Lewinsky; another former White House aide, Kathleen Willey, who has alleged that Mr. Clinton groped her against her will during a meeting in the Oval Office suite, or both.

After Mr. Starr filed a motion to compel the aide's testimony, the White House backed down and instructed her to answer.

The aide was not identified in the papers, but sources have said she is Nancy Hennerich, director of Oval Office operations.

According to the papers, the White House made a last attempt March 4 to head off a court confrontation on executive privilege by offering to allow aides who were not attorneys to testify about "factual information" arising from the disputed White House conversations, but not "strategic deliberations and communications." Mr. Starr rejected the offer as inadequate and a delaying tactic, writing, "This is word play."

In addition to executive privilege, the White House also claimed attorney-client privilege regarding Mr. Lindsey.

In her ruling, Judge Johnson agreed with the White House that it could in-

voke attorney-client privilege with a government-paid lawyer but again determined that Mr. Starr's need for evidence outweighed the privilege in this instance.

Mr. Starr argued that Mr. Clinton had no legal basis for using executive privilege as a shield to keep prosecutors from getting at potential criminal conduct, saying that the issue in dispute involved his private behavior, not official business.

Under the line of reasoning advanced by the White House, Mr. Starr wrote, "every potential White House scandal can be shrouded in executive privilege. If a president were to murder a political opponent, he would argue that the resulting uproar could impair his legislative program, distract him from his duties, affect his dealings with foreign heads of state and potentially give rise to impeachment proceedings — the very arguments raised by the White House here."

"The result would be this: A privilege intended to aid the functioning of the executive branch would be transformed into a cloak for the gravest private misdeeds of a president."

Mr. Starr dismissed the White House assertion that the Lewinsky issue has become an official government matter because it threatens to distract the president from foreign policy and his other duties.

"Under this theory," he wrote, "a president's financial problems, marital discord, chronic backache or private litigation likewise could fall within the zone of official concerns."

Mr. Clinton argued that the Lewinsky matter had seriously affected his ability to do his job in some regards.

Among other things, he said it was affecting his ability to sell his domestic program and to marshal public support for his threatened military showdown with Iraq.

As a result, his aides' deliberations about the Lewinsky matter were a function of official duties, he argued.

"In discussing with the president his ability to achieve the administration's domestic policy objectives, advisers must take into account the impact of issues arising out of the Lewinsky investigation on his efforts and advise him accordingly," the White House counsel, Charles Ruff, wrote.

Judge Johnson agreed with that assessment, saying that to argue otherwise would be "oversimplified." But she sided with Mr. Starr in determining that even a legitimate claim of executive privilege is in most cases trumped by the overriding needs of a criminal investigation.

Mr. Starr argued that the evidence he is seeking from Mr. Lindsey goes to the heart of his investigation and cannot be obtained elsewhere.

At the outset of her opinion, Judge Johnson allowed that "the president can invoke the privilege when asked to produce documents or other materials that reflect presidential decision-making and deliberations."

She also made it clear that the test is not difficult to meet and that even conversations that do not primarily involve domestic or foreign policy would be covered.

Judge Johnson also made it clear that Hillary Rodham Clinton is the equivalent of a White House aide, and therefore conversations with her are covered.

This is a logical extension, legal experts said, from court decisions laying out the scope of executive privilege and who should be covered.

Supreme Court's Watergate Ruling Is Precedent

By Joan Biskupic
Washington Post Staff Writer

WASHINGTON — In ordering two presidential aides to testify in the Monica Lewinsky investigation, a federal judge has followed a map set out by the Supreme Court more than two decades ago in its historic decision ordering President Richard Nixon to turn over the Watergate tapes.

Legal experts say that since the ruling by the chief U.S. District Court judge, Norma Holloway Johnson, did not appear to represent a sharp departure from the relatively limited body of law in this area, the White House would probably face a difficult struggle in challenging the decision.

"Johnson's opinion is absolutely consistent with Nixon," said Kathleen Clark, a law professor at Washington University in St. Louis. In her opinion, Judge Johnson said that, just as with Mr. Nixon, President Bill Clinton clearly has a right to have confidential conversations without worrying that their contents could be revealed. But she also made it clear that the needs of the current criminal investigation outweighed the claim of executive privilege.

Judge Johnson did break some legal ground in two areas: She said that a prosecutor trying to present his case before a grand jury should have the same ability to get information that a prosecutor would at a criminal trial, and she ruled that executive privilege

covers conversations between aides and the first lady.

It was not until Nixon v. United States in 1974 that the Supreme Court acknowledged a constitutional basis for executive privilege.

The court at that time rejected Mr. Nixon's claim that executive privilege should protect him from having to turn over his White House tape recordings.

The court said then that the need to produce evidence for a criminal trial overrode any general presidential interest in confidentiality.

In a similar vein, Judge Johnson said the evidence sought by the independent counsel Kenneth Starr "remains necessary to the grand jury and cannot feasibly be obtained elsewhere."

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In a similar vein, Judge Johnson said the evidence sought by the independent counsel Kenneth Starr "remains necessary to the grand jury and cannot feasibly be obtained elsewhere."



YELLOW PARADE — A New York taxi driver giving the victory sign Thursday as he and his colleagues protested against new rules and increased insurance rates.

Asbestos Study Downgrades the Risk of Cancer

By Joby Warrick
Washington Post Staff Writer

WASHINGTON — U.S. government regulators may have greatly overestimated the cancer risk from asbestos, according to new research that suggests that some of the billions of dollars spent to clean up contaminated public buildings may have been squandered.

Exposure to moderate levels of asbestos does not appear to increase a person's risk of developing lung cancer significantly, the authors of the new study conclude. They analyzed health records for thousands of women from a Quebec district that has the world's greatest concentration of asbestos mines and mills.

"We found no measurable excess risk of death due to

lung cancer," a Montreal epidemiologist, Michel Camus, and two colleagues wrote in a report published Thursday in the New England Journal of Medicine.

The Environmental Protection Agency model "overestimated the risk of asbestos-induced lung cancer by at least a factor of 10," the report said.

Other scientists disagreed sharply with the report's conclusions and cautioned against any weakening of government protections.

"All forms of asbestos are carcinogenic," said Philip Landrigan, a professor at Mount Sinai School of Medicine in New York who serves as an adviser to the environmental agency on children's health issues.

Asbestos, a fibrous, heat-

resistant material that is commonly used for insulation or fire-proofing, is known to cause cancer among workers exposed to heavy concentrations of the mineral.

But far less is known about the effects of lower doses.

For years, U.S. policy on asbestos has been driven by EPA mathematical models that extrapolate from earlier cancer studies involving miners and industrial workers.

More recently, though, scientists have questioned whether the models can reliably gauge the cancer risk from far-lower levels of airborne asbestos found in some older buildings.

To test the model, the three Canadian scientists tracked the cancer rate among thousands of women who lived in

a cluster of towns in Quebec's asbestos district.

Most of the women lived less than three miles (five kilometers) from an asbestos factory or mine at a time before modern pollution controls were in use.

By simply breathing, people in the study area would have been exposed to asbestos levels that are five times higher than the maximum exposure limit for today's asbestos workers, said Jack Siemiatycki, a professor of epidemiology with the University of Quebec's Institut

Armand-Frappier and a co-author of the report.

Yet the region's women turned out to be no more likely to develop lung cancer than comparable groups of women in other parts of the province.

"If these people didn't experience excess rates of cancer, it's hard to understand the meaning of all the risk projections being done for schools and buildings where people are panicking because they're being exposed to small amounts," Mr. Siemiatycki said.

Away From Politics

- The navy has decided to slow work on a projected futuristic aircraft carrier and focus instead on high-tech improvements to the 30-year-old design of its *Nimitz*-class warships. The decision does not affect plans to build the next carrier, known as CVN-77, set to begin in 2001. (AP)
- Anyone arrested in New York City for even minor offenses must now remain in custody until a fingerprint check can verify the person's identity. Police Commissioner Howard Safir said, responding to the shooting of a police officer by a fugitive parolee who was mistakenly set free. (NYT)
- A 12-year-old boy was arrested in Chicago for allegedly threatening to abduct four female classmates and kill one of them. The boy was charged with solicitation to commit murder. (AP)

POLITICAL NOTES

A Delay on Cleaner Air

WASHINGTON — In a last-minute change to the highway bill that President Bill Clinton will sign next week, Congress has postponed for several years plans to clear the haze of pollution that often obscures the vistas in parks, wilderness areas and other relatively pristine areas.

The highway legislation, which Congress approved Friday, includes a brief section that will put off for six to nine years the first steps to bring states into compliance with the Clean Air Act's long-standing goal of "reasonable progress" toward eliminating man-made haze in specially protected areas.

Until Congress quietly intervened, the Environmental Protection Agency had planned to tell states to file preliminary plans by next year showing how they would eventually comply with new rules proposed last year that would raise visibility standards gradually over the next several decades.

But during hectic, last-minute bargaining last week, Senator James Inhofe, Republican of Oklahoma, and Representative John Dingell, Democrat of Michigan, scrapped that schedule by changing a few words in the highway bill that negotiators had expected would be overwhelmingly approved by the House and Senate and that faced no serious threat of a veto.

The agency's proposed regulations call for a 10 percent improvement in visibility every decade in 156 natural areas. The lawmakers successfully delayed the

agency's plans to require states to demonstrate how they would reduce emissions of pollution that travels downwind to those protected areas. The pollution comes from power plants, factories, automobiles and various other sources. (NYT)

Who'll Pay for Viagra?

WASHINGTON — The Clinton administration has told state officials that it intends to require their Medicaid programs to pay for medically approved uses of Viagra.

But states could limit the number of pills and prescriptions for the impotence drug.

The administration's plans have upset state officials, who contended that decisions on coverage of Viagra should be left to the states, which share Medicaid costs with the federal government.

In the two months since the federal government approved Viagra, states have adopted different policies. Some cover the drug, some refuse to pay for it and others have yet to decide.

Chris Jennings, a White House aide who supervises health policy, said federal Medicaid officials had told him, "If there is a medical rationale for using Viagra, it must be covered."


A senior official of the federal Department of Health and Human Services, speaking on condition of anonymity, said the agency believed that "if Viagra is determined by a doctor to be medically necessary, Medicaid should pay for it." (NYT)

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ASIA/PACIFIC

China Sent Letter to Pakistan on Tests (and Perhaps a Signal to U.S.)

By John Pomfret
Washington Post Service

BEIJING — Just days ago, before Pakistan exploded five nuclear devices on Thursday, deepening the security crisis in South Asia, President Jiang Zemin of China wrote a letter to the Pakistani government, after a telephone conversation with President Bill Clinton, requesting it not stage a nuclear test, sources said.

Obviously the letter, which was relayed after the two presidents talked Monday morning on a hot line connecting Beijing and Washington, did not fend off the Pakistani tests. But sources pointed to Mr. Jiang's willingness to send it as an act of good faith and a sign that China appeared willing to break its long-standing support of Pakistan's nuclear program.

The sources said that Mr. Clinton had asked Mr. Jiang to write the letter during a call that marked the first use of the hot line.

The sources said that the Chinese president had agreed. During the conversation, which was arranged on Saturday, Mr. Clinton also told his Chinese counterpart that he intended to come to

Beijing in late June for a summit meeting despite calls in Congress for him to postpone the trip. On Thursday night, China expressed its "deep regret" over the test, the Chinese Foreign Ministry spokesman, Zhu Bangzao, said.

Mr. Zhu added that the Chinese government was "deeply worried about this and feels uneasy about the present nuclear race in South Asia," the official Xinhua press agency quoted him as saying.

China has reserved its harshest criticism, however, for India, which began a series of nuclear tests on May 11.

China held a series of talks with Pakistani military and diplomatic officials before Pakistan decided to explode the devices. Chinese sources close to those talks confirmed that, despite speculation to the contrary in the West, China did not offer Pakistan any type of nuclear umbrella or guarantee. An Asian diplomat said Pakistan had initially wanted to explore the possibility of such a guarantee if it was to forgo the option of testing a nuclear device.

Sources in Beijing said Mr. Jiang's letter was the first concrete sign of a hoped-for partnership

between the United States and China in dealing with the crisis caused by the Indian and now Pakistani nuclear tests. The sources said that the Chinese had not shown American officials a copy of the letter, but that the Americans were assured that it had requested Pakistan to hold off on any tests.

But one Chinese source said India's nuclear tests had caused some Chinese officials to reconsider any commitment they might have to the U.S. policy that opposes the spread of nuclear weapons to other countries but does not seriously address the issue of disarmament. China is a new and unsteady convert to this way of thinking.

China reportedly passed nuclear weapons technology, including a blueprint of the bomb, and ring magnets, among other weapons-related materials, to the Pakistanis before agreeing with the United States over the last two years to end such cooperation.

"The previous rationale was that we should agree with the nuclear powers to stop proliferation," said a Chinese source. "But if the United States cannot convince other countries to stop nuclear development and if it is seen as

subtly supporting India then we must rethink our whole rationale."

Mr. Jiang's letter comes at a time when U.S.-Chinese security cooperation is also facing challenges from Congress and from other sources.

Chinese officials, for example, have recently rejected an American proposal that China formally join the Missile Technology Control Regime and its annex in exchange for U.S. help for China's fledgling space program. Chinese and American sources said. The U.S. government is concerned that China is selling missile technology to several countries, such as Pakistan and Iran, which could either damage U.S. interests or further damage regional stability in Asia. As a result, it offered to help China engage in the peaceful exploration of space in exchange for agreeing to stop exporting missile technology.

Two Chinese sources said the Beijing government recently turned down the proposal specifically because China wants the United States to shift its policy on Taiwan before China undertakes further cooperation in the area of proliferation and regional security.

An American official confirmed that China

was linking the Taiwan issue with its cooperation in the security field and described Taiwan as the "most strategic" issue in the relationship between Washington and Beijing.

China views Taiwan as a rogue province and has not ruled out force in order to unite it with the mainland. The United States says publicly that it follows a "one China" policy. U.S. law, however, mandates that the government take all necessary action to defend Taiwan if its security is threatened. Under this law, the United States is also allowed to sell Taiwan arms for its defense.

Of specific concern to China are American arms sales to Taiwan, Chinese officials said.

The problem here is that in the early 1980s, the United States signed a communiqué with China committing itself to slowly diminishing its support of Taiwan's Army. But in 1982, the United States sold Taiwan \$565 million worth of weapons. In 1997, \$1.8 billion worth of U.S. weapons, including a shipment of F-16 fighter aircraft, were exported to Taiwan.

"There are strong reservations about joining the missile control regime because of the Taiwan issue," said a Chinese source.

Strike Fails To Dull Kim Popularity

Koreans Set to Give Him The time to 'Fix Things'

By Mary Jordan
Washington Post Service

SEOUL — Just before dusk on Thursday in this dense urban center, 10,000 strikers pumped their fists in the air and marched in front of Choi Jung Ha's tiny storefront.

"See all these people," the store owner said, amid her stacks of cookies and chocolates and whiskey. "I feel sorry for them because they lost their jobs, but it's not President Kim Dae Jung's fault."

That kind of thinking — sympathy with workers losing their jobs but support for the president's pleas not to have disruptive strikes — is a key reason a two-day national strike fizzled on Thursday.

Mrs. Choi shook her head as the strikers shouted: "Guaranteed jobs!" as they continued their march through the city center.

"President Kim was right to say he would arrest anyone who had a steel pipe," she said. "He is trying to do something, to fix things, and this doesn't help."

Mr. Kim continues to dodge land mines, such as potentially paralyzing strikes, in large part because he has support from people like Mrs. Choi to help him navigate the hazardous road ahead.

Only in office for three months, Mr. Kim's high popularity ratings despite the desperate economic situation he inherited is expected to help his party capture a majority in Parliament in important national elections next week.

"Because of the current economic problems, the unions have little support for strikes," said Kim Jong Kun, 39, a union member who nonetheless came to Myeongdong Cathedral, where the



A man in traditional Korean costume walking past a police line Thursday during a labor rally at a Seoul park.

strikers gathered, to show his support for them.

"And because of these problems, I think most people will vote for Kim's party."

Most analysts agree, predicting that Mr. Kim's National Congress for New Politics will win the seats needed to gain control of the Parliament next Thursday. That would strengthen his hand as he tries to push through tough economic reforms.

Mr. Kim's continued popularity is seen as resting on his ability to ease the suffering of the growing jobless through unemployment benefits and new social and job training programs. Union leaders seek a cut in military spending to fund a social safety net.

Some analysts here say that when Mr. Kim meets with President Bill Clinton in Washington next month, he will no doubt be looking for some favors and loans to tide him through these rough times.

Many South Koreans interviewed this week said that they understood how precarious the national economy was and that they believed the wisest course was to rally behind the president.

A quarter of a million people each month are now being added to the jobless rolls, and as unemployment soars, so too are suicides, crime and social unrest.

On Thursday, the government announced new dismal economic indicators showing that industrial output and

consumption are dropping like a stone. That will mean factories will close for lack of a profit, more jobs will be lost, and big department store owners and small vendors like Mrs. Choi will earn less and less.

"There are so many burglaries, so many shops like mine getting broken into," said Mrs. Choi, a mother of three. "Many people that used to have nice jobs now come to me and say, 'Please give me money so I can go home, so I can get something to eat.' I see all these people walking around stunned, in a daze that they have no where to go during the day."

Mrs. Choi said her little store now sells about one-third what it did last year. She can no longer afford to pay two of the three student workers who helped her.

As she glanced at the protesting workers who continued to file by her shop, she said she believed she would see more street demonstrations and rallies and strikes. "I understand that these workers feel better when they get together and raise their voice," she said.

At a recent nationally televised "town hall" meeting, Mr. Kim pleaded for national unity and said that personal sacrifice was demanded in this time of crisis.

"We have to accept pain this year," he said. "If we don't, we'll suffer for 10 years; but if we do, things will get better next year."

Mrs. Choi says that if Mr. Kim comes through on his promise to make things better within a year's time, "he will be here."

But, she said, if people feel that they are siding with him and suffering but nothing improves, "he will quickly turn into the enemy."

Timetable Is Presented For Indonesia Reform

Leaders Agree on Plan for '99 Elections

By Jackson Diehl
Washington Post Service

JAKARTA — President B. J. Habibie of Indonesia agreed with parliamentary leaders Thursday on a plan to hold elections in 1999, after an overhaul of the country's political system by the national assembly later this year.

Mr. Habibie, who is struggling to stabilize his one-week-old government and win the renewal of aid from the International Monetary Fund, offered the timetable for political change in response to mounting pressure from Indonesian opposition leaders.

Several opposition groups have called for elections within a year, and some are pressing for an immediate meeting of the national assembly to replace Mr. Habibie, who succeeded the longtime ruler, President Suharto, on May 21.

Mr. Habibie met with the Parliament speaker, Harmoko, and senior cabinet members in a parliamentary building surrounded by troops and armored personnel carriers and flanked by hundreds of student demonstrators.

Mr. Harmoko later announced that the national assembly, a 1,000-member body made up of the 500 members of Parliament and 500 other appointed officials, would meet at the end of this year or early in 1999 to revise the country's election laws, which for three decades served to prop up the authoritarian regime of Mr. Suharto.

"After the session has decided on elections, they still need time to make preparations, which include the participants and the system," Mr. Harmoko said after the 90-minute meeting. "This is expected to be completed in 1999."

It was unclear whether the new government's latest concession would satisfy the opposition or slow the powerful momentum for change here. Students who led the successful campaign against Mr. Suharto and a number of the new opposition groups are demanding that Mr. Habibie, a longtime protégé of Mr. Suharto, be replaced immediately by a new president and transition government not identified with the former regime.

Arifien Rais, a Muslim leader in the protests against Mr. Suharto who has announced his presidential candidacy, said he opposed the plan. The national assembly, he said, was "stuffed with handpicked Suharto associates," and thus could not be relied on to put in place a new election system.

Military leaders, who hold the balance of political power in Indonesia, have so far supported Mr. Habibie and his political plans. But Indonesian sources say tensions within the military, which allowed Mr. Suharto's downfall last week only after a bitter internal struggle, remain high.

On Thursday, Defense Minister Wiranto, the army's top commander, grimly oversaw a ceremony in which his chief rival, Lieutenant General Prabowo Subianto, accepted a transfer that stripped him of control over a key special forces command in Jakarta. But General Prabowo, who is Mr. Suharto's son-in-law, has not yet left Jakarta, for his new post in a military college in the city of Bandung, and analysts said General Wiranto still faced potential challenges from Prabowo loyalists.

Indonesia has held only one free democratic election in the 49 years since it won independence from the Netherlands. Military and civilian leaders in Jakarta, including politicians from more than a dozen new political parties formed in the last week, are just beginning to debate the form and limits of new elections, though it is expected they would encompass both a new Parliament and a new president.

The current Parliament contains a large group of appointed military members, and competition for the remaining seats in the 1996 elections was limited to Mr. Suharto's Golkar party and two small, officially sanctioned rivals. The Constitution calls for the president to be elected indirectly, a provision that most Indonesian analysts expect will be retained in any new system.

Mr. Habibie's proffer of an election timetable came as his government attempted to persuade a visiting official of the International Monetary Fund, the Fund's Asia-Pacific director, Hubert Neiss, that the IMF should resume a suspended bailout program for Indonesia.

Mr. Neiss, who was on a four-day visit to Jakarta to gather information for

a report to the IMF board, took the unusual step Thursday of meeting with a range of opposition leaders following his session with Mr. Habibie.

Mr. Neiss said he had met the opposition leaders to ask whether they would support a continuation of the \$42 billion IMF program, which requires Indonesia to overhaul its banking system, break up monopolies and cut back on subsidies, including some to consumer goods.

One of the opposition leaders, Mr. Rais, said after the meeting that he would support the IMF program.

"Clearly it would be better to continue with the plan because there are no other alternatives," he said.

Western officials in Jakarta said that the IMF could not easily renew its loan program without assurances that Mr. Habibie's government was capable of remaining in power long enough to carry it out. Officials say they hoped that by issuing an election timetable, a step he avoided in a national address early this week, Mr. Habibie could defuse the demands for his removal and win a mandate to carry out the rescue program.

BRIEFLY

Burma Opposition Calls for Dialogue

RANGOON — About 400 members of Burma's opposition party, the National League for Democracy, ended a special two-day gathering on Thursday with an appeal to the ruling military junta to compromise and start dialogue.

The party's leader, Daw Aung San Suu Kyi, said in her closing speech that the ruling State Peace and Development Council would not lose its dignity if it held dialogue with the opposition to resolve a political stalemate in the country.

On the final day of the gathering, in Daw Aung San Suu Kyi's residence to mark the eighth anniversary of the party's landslide May 1990 election, was held with the junta's approval. It was the first time since the 1990 elections that a meeting to mark the victory was allowed by the military. (Reuters)

UN Delivers Food In Afghanistan

ISLAMABAD, Pakistan — Two United Nations' World Food Program convoys delivered emergency food assistance Thursday to famine-stricken areas of Afghanistan, according to a statement by the agency.

One convoy of wheat had reached the opposition-held Hazarajat region in central Afghanistan, where the World Food Program had reported starvation; another arrived in the Taliban-held Ghorband valley about 100 kilometers (60 miles) north of the Afghan capital, Kabul. (Reuters)

4 Die in East India

CALCUTTA — At least four people were killed and 20 wounded in bomb explosions and clashes Thursday in the eastern Indian state of West Bengal during elections for rural administrative bodies, the police said.

At least 25 people were arrested on charges related to the violence. (Reuters)

Filipino Vote Tally

MANILA — Opponents of the Philippines' president-elect, Joseph Estrada, appeared Thursday to have won control of the lower house of Parliament.

The speaker of the lower house, Jose de Venecia, a member of the ruling Lakas Party, said 115 Lakas members had clinched the majority of 208 seats in the House based on nearly complete results of the national election on May 11. (Reuters)

China Arrests 4 Taiwanese on Spying Charges

Agence France-Presse

BEIJING — Chinese authorities in Beijing have arrested four Taiwan businessmen on charges of spying, state television reported Thursday.

The police have "conclusive evidence" including confessions that the men were gathering military, economic and political information for the military intelligence bureau of Taiwan's Defense Ministry, the report said.

The men were identified as Kou Jinnian, Han Yueting, Chen Shaoyu and Zhou Changming.

Beijing's negotiating body for Taiwan, the Association for Relations Across the Taiwan Straits, sent a letter on Thursday to its Taipei counterpart, the Straits Exchange Foundation, regarding

the case. All those arrested are members of a Taiwan-based association founded by Mr. Kou in 1991 for civil exchanges between the island and China.

The official Xinhua press agency said the China Cross-Straits Nongovernmental Exchange Association was used as a cover to recruit spies and send them to the mainland.

Mr. Kou, 42, identified as the ringleader, is reportedly the general manager of Taiwan Minghuan Enterprise Corp. Ltd.

Mr. Han is marketing manager for Pacific Development Corp., the television report said.

Mr. Chen, 43, is general manager of the Taiwan-based Huazheng Enterprise Corp. Ltd., while Mr. Zhou, 36, is gen-

eral manager of Gaoshangpin International Corp. Ltd., another Taiwan firm.

The suspects "seriously violated Chinese criminal law and the law of national security," state television said.

State security has "called in" seven others for questioning regarding the case, Xinhua said.

The reported arrest follows criticism on Tuesday from Taiwan legislators over what they described as Chinese human rights violations against Taiwan businessmen suspected of being spies on the mainland.

Newspaper reports in Taipei had said mainland police separately arrested or restricted the movements of 18 businessmen for alleged spying.

INTERNATIONAL

Drought in Brazil Spurs Search for Food (and Votes)

By Diana Jean Schemo
New York Times Service

CARUARU, Brazil — The day before Andre Carnio became a threat to public order, his breakfast was weak coffee. For his wife and four children, lunch was made of flour in a soup made from the umbu, a local fruit that managed to grow while his children were withering. There was no dinner.

It was then, during a drought that showed no signs of easing, that Mr. Carnio overcame his fear and doubt and joined a crowd of other hungry peasants. He rushed into a grocery store in Gravata, a well-to-do town nearby, in a troubling reminder of desperation in the backyard of affluence. He said he grabbed only sugar and milk before the police drove off him and the other looters. One required 12 stitches in his head.

"Really, I was afraid," Mr. Carnio said, "but faced with the situation, I said, 'If I die, at least I died trying to feed my family.'"

His wife, Joselene, had tried to stop him, but wept joyful tears on seeing the food he brought home. "It was the only solution, because there wasn't any other way," Mr. Carnio said.

Once again, it is drought time in the northeast of Brazil, with low rainfall painting the landscape harsh, scabbed beige and green, too parched to sustain the corn,

beans and rice that people here depend on to survive. According to federal officials, some 10 million people in eight states are suffering the effects of drought.

Some have taken to hunting muskrats and fighting scrawny cattle for a kind of edible cactus that grows here. Others, like Mr. Carnio, have looted grocery stores and government food warehouses.

While the droughts in Brazil's northeast are periodic, with this year's made worse by the effects of El Nino, each one appears to take the country by surprise. Successive governments, including that of President Fernando Henrique Cardoso, have neglected permanent solutions like irrigation and wells to counter the inevitable low rainfalls.

People instead speak of an "industry of hunger," with emergency aid traditionally being used by local politicians, who dole out baskets of rice, beans, pasta and salt in exchange for support, or who simply divert drought money for other uses. Government officials have admitted that this year some \$45 million budgeted for combating the drought was instead used to pay off the public debt.

Although the drought is six months old, the emergency food distributions began only recently, after the looting started. In the last few weeks, four food looting incidents have erupted in the Caruaru region, with some ending in police beatings and others with store

owners offering food to stave off the hungry. Around the northeast, 110 such incidents had been reported by Wednesday.

Thousands of people have migrated to cities in search of work and food. Lacking skills and education, however, they fare little better there, and instead join the legions of urban homeless.

"For the government, there's nothing better than a drought in an election year, because emergency food baskets mean votes," said Jaime Amorim, a local leader of the Landless Rural Workers Movement who has been organizing the drought victims' looting of supermarkets here in Pernambuco State, some 2,570 kilometers (1,600 miles) northeast of Rio de Janeiro.

"We're organizing people, but only as a last resort," Mr. Amorim said in an interview here.

Mr. Cardoso has criticized the land reform movement for coordinating the looting, and tried to have its leaders, including Mr. Amorim, arrested for disturbing the public order.

So far, however, judges have rejected the request, saying the government's case was poorly documented. Mr. Amorim contends that the looting broke out spontaneously, a week before the movement organized its first. In addition, under Brazilian law, people are permitted to steal food if they find themselves "in a state of necessity."

NATO Seeks a Of Quagmire

Alliance ...

Allies Unhappy

With U.S. Shift

On Milosovic

EUROPE

NATO Seeks a Way Out Of Quagmire in Kosovo

Alliance Sees Talks, Not Troops, as Answer

By William Drozdiak
Washington Post Staff Writer

LUXEMBOURG — Fearing that the crisis in Kosovo could ignite a wider Balkan war, NATO foreign ministers agreed Thursday to expand military exercises with Albania and Macedonia to help them secure their borders with the troubled Yugoslav province.

The ministers also ordered military experts from the North Atlantic Treaty Organization to draw up detailed options for possible troop deployments to those countries if violence in Kosovo between Serb police forces and the ethnic Albanian majority spirals out of control.

But reflecting their anxiety about becoming ensnared in another Balkan quagmire, the U.S. secretary of state, Madeleine Albright, and her NATO counterparts refused to authorize the dispatch of additional troops to the region and appealed to the rival parties to find a peaceful solution to their conflict.

"The status quo is unacceptable," the 16 foreign ministers said in a joint declaration. "We support a political solution which provides an enhanced status for Kosovo, preserves the territorial integrity of Yugoslavia, and safeguards human and civil rights of all inhabitants of Kosovo, whatever their ethnic origin."

The NATO allies are investing their hopes in direct talks between President Slobodan Milosevic of Yugoslavia and Ibrahim Rugova, the leader of Kosovo's Albanians, who make up 90 percent of the province's population of 2.2 million and are demanding to establish their own independent state.

Allies Unhappy With U.S. Shift On Milosevic

By Steven Erlanger
New York Times Staff Writer

WASHINGTON — America's closest European allies are upset that Washington has changed tack yet again on the issue of Kosovo, pushing to ease the pressure on the Yugoslav president, Slobodan Milosevic, despite his increasing repression in the province.

To induce Mr. Milosevic to begin dialogue with Ibrahim Rugova, the moderate leader of Kosovo's ethnic Albanian majority, the allies, at Washington's urging, recently suspended the economic sanctions that would hit Mr. Milosevic the hardest, measures Secretary of State Madeleine Albright had insisted on in the first place in the name of international cohesion.

"There has been a real shift of tactics and tone that is bound to cause real confusion in Belgrade," said a senior Western diplomat, who did not want his name or country attached to his comments. "Now the pressure is all gone."

Another diplomat said: "The Americans have switched too quickly, for unclear ends, and we think Milosevic should not be let off the hook too easily."

The diplomats said they feared Mr. Milosevic was again successfully manipulating Washington. All he has agreed to do, one diplomat said, is to open talks with Mr. Rugova. They met on May 15. The diplomat expressed skepticism at the effectiveness of rewarding such a small step.

"Milosevic has agreed only to talk — not to strike an agreement on the future of Kosovo," the diplomat said. "The Americans have used our leverage to get the dialogue going, rather than to get somewhere."

The Contact Group on the former Yugoslavia consists of the United States, Britain, Germany, Italy, France and Russia.

The British and the Germans are the countries most unhappy with the American shift, while the Italians and the French, who supported the dialogue but thought sanctions ineffective, are less unhappy but annoyed with what they consider excessive American flexibility. The Russians never agreed to sanctions except a United Nations arms embargo on the former Yugoslavia.

The American shift originated with Richard Holbrooke, the former diplomat who is the architect of the Bosnian peace settlement.

Mr. Holbrooke, known for his strong relationship with Mr. Milosevic and his flexible tactics, was invited to help, and visited the Balkans with Robert Gelbard, the American special representative for the former Yugoslavia earlier this month.

Their trip resulted in the allies' decision to suspend the enforcement of a ban on investments in Serbia that had been agreed on only a week before. It remains suspended, even though Mr. Milosevic has stepped up a crackdown in Kosovo, is shunning down independent media throughout Yugoslavia and is trying to manipulate this Sunday's vote for the presidency of Montenegro.

While senior American officials say they recognize the dangers of reducing pressure on Mr. Milosevic, they said that inducements were the only way to get him to talk to Mr. Rugova.

Time matters, they said, because as the pressure on ethnic Albanians in Kosovo grows, Mr. Rugova, who embraces nonviolence, loses credibility with his people.

The Americans argue that it was clear that the sanctions themselves were not pushing Mr. Milosevic into dialogue.

"The fact that Milosevic and Rugova are finally talking for the first time ever is very important," Mr. Holbrooke said on Wednesday.

"But we need these talks to make real progress."

"We know there are enormous risks here," Mr. Gelbard said. "But absent any effort to get talks going, there are even more enormous risks. Others failed at getting a dialogue going, and we succeeded."

Mr. Gelbard emphasized that the sanctions remained on the table, were "suspended" and could be implemented later, if Mr. Milosevic does not behave responsibly.

"We need to be able to turn these measures on and off," he said.

But turning the key sanction, the investment ban, on and off is impossible, a Western diplomat said.

Mr. Rugova and his negotiating team arrived in the United States on Wednesday for meetings with U.S. officials and President Bill Clinton on Friday.



SEND OUT THE CLOWNS — A policeman in St. Petersburg chasing a man dressed as a clown who tried to march in front of a military band during a parade Thursday to celebrate the city's founding 295 years ago.

RUSSIA: Yeltsin Calls for Western Aid and Says, 'Heads Will Roll'

Continued from Page 1

"Judging from the current situation, I can tell you that in principle there is a chance that we can resolve this situation without additional assistance," he said.

But he added that further credits "would play a psychological role because panic is a psychological phenomenon."

The amount Russia is seeking, he added, would be "a different order of figure."

"Such a credit would show everybody that there are considerable resources and that there won't be problems in the future," he said.

"I don't see how such a decision would hurt."

At the emergency meeting, Mr. Yeltsin called on the government of Prime Minister Sergei Kiriyenko to focus on shoring up the ruble.

Mr. Yeltsin said he would press the tax authorities to improve their dismal collection record, an indicator that has been under close scrutiny by Western advisors.

"Heads will roll," Mr. Yeltsin said,

noting that he would meet Friday with law enforcement and fiscal authorities.

"They have been working poorly. They must be stricter,"

Mr. Kiriyenko said later that Mr. Yeltsin would sign a decree authorizing tax police to confiscate property belonging to tax dodgers, with a list of major delinquents now being drawn up. Other measures under consideration would call for the forced bankruptcy of companies that have not paid their tax bills, and court proceedings against the managers of delinquent state-owned companies.

At a cabinet meeting Thursday, Mr. Kiriyenko said the principal cause of the Russian crisis was that "we have not learned to live within our means," a failure that he said had cost the government credibility in Russia and abroad.

Financial analysts in Moscow said that Western institutions and banks were unlikely to come forward with a currency stabilization package anytime soon, preferring to see if financial markets would be convinced by the International Monetary Fund and Western

government endorsements this week of Russia's fiscal program.

The benchmark stock index for Moscow, the RTS, rose 6.2 percent Thursday to 198.74 points. The ruble fell slightly, with the dollar rising to 6.162 rubles from 6.160 rubles on Wednesday.

The fiscal crisis, which has dominated the news in Moscow for days now, has largely floated over the heads of most Russians, who are more preoccupied with making ends meet than on the fate of the market.

A key test of the market's response will come Wednesday at the next regular auction of government-backed bonds, known as GKOs, at interest rates that were tripled this week to 150 percent as the central bank stepped to prevent a mass sell-off.

"Supportive statements by the IMF and the U.S. Treasury are useful to show the markets that the support is there," said Christopher Granville, chief strategist at Fleming UCB, a London-based investment group.

"For the moment, the panic seems to have stopped. Then, the bluff will be called."

COMPUSERVE: German Conviction

Continued from Page 1

Noetheless, said Judge Wilhelm Hubbert, "even on the Internet, there can be no law-free zones."

That is precisely the issue. German authorities across the land have set up police units whose job is to monitor the World Wide Web seeking out sites they consider to be illegal under German law. But since many of those sites are managed from other countries, they have had no recorded success in persuading Web site operators in, say, New Zealand or the United States, to close down their sites.

The German cyber-watchdogs operate according to German laws that not only outlaw child pornography and bestiality but also forbid replication of the symbols of Hitler's Third Reich or glorification of Nazism. German law also bans material deemed to be "youth-endangering," such as violent games like "Doom."

Prosecutors have not only moved against CompuServe, but in less dramatic cases have sought to punish Internet users whose home pages offered links to other Web sites considered offensive.

In one case in Berlin last year, a judge dismissed a case against a 25-year-old student, Angela Marquardt, who offered a link from her home page to a leftist magazine called *Radikal*. Even though the magazine's Web site is maintained on a computer in the Netherlands, prosecutors insisted she had broken the law by offering access to articles on matters such as making bombs and derauling trains. Her acquittal last June was seen as a setback for prosecutors trying to control the Internet.

The Thursday verdict, by contrast, was the reverse: a victory for the notion



Felix Somn in court on Thursday.

that national law can be applied to something as amorphous and frontierless as the Internet.

"Germany probably has more restrictive rules relating to other types of content than other countries," said Mr. Kuner, the Frankfurt lawyer.

Judge Hubbert insisted, for instance, in his ruling Thursday, that Mr. Somn failed to exercise controls.

"The accused is not a victim — he abused the medium," the judge said, arguing that CompuServe's head office in the United States could have erased material known to be offensive. "This is not a matter of the impenetrability of the ocean of the World Wide Web."

CompuServe Deutschland is owned by a joint venture between America Online Inc. and Bertelsmann AG. Of the three major on-line services in Germany, it places third. The biggest is T-Online, owned by Deutsche Telekom AG, with more than 2 million subscribers, followed by AOL Bertelsmann Online, with around 500,000.

INTEL: Regulators Prepare Antitrust Suit

Continued from Page 1

are cooperating with the commission fully. We are very sensitive about antitrust enforcement, and at the end of the day, once the appropriate processes have been concluded, we believe they will determine that we behaved lawfully."

As soon as Friday, commission staff is expected to forward its recommendation for the antitrust suit to the full commission for approval. The commissioners are expected to vote to move forward with the lawsuit a week or 10 days later.

The lawyers involved with the investigation said that Intel executives had attended meetings with staff members of the Federal Trade Commission in Washington this month to avert the lawsuit. But the executives had not made any significant concessions, in the view of government officials, and insisted that all their business practices were lawful.

The commission and the Justice Department have equal jurisdiction to enforce the nation's antitrust laws, and the two agencies decide between themselves which is to handle each new case. Because the Justice Department was preoccupied with the Microsoft case, the commission took the Intel case.

At the heart of the government's case, one lawyer said, is the charge that "a monopolist cannot cut off a customer who has no other alternatives in the market, causing him severe economic harm, just because they are having a dispute."

The proposed lawsuit charges that Intel illegally retaliated against four companies, including Digital Equipment Corp. and Intergraph Corp., a maker of computer work stations. Intergraph and Digital both filed their own civil lawsuits against Intel last year.

In a preliminary ruling last month, a U.S. District Court in Birmingham, Alabama, found that Intel had violated antitrust law in the Intergraph case.

High Levels of Dioxin In French Breast Milk

PARIS — A consumers magazine on Thursday reported high dioxin levels in the breast milk of French mothers, far exceeding admissible daily norms.

The magazine *Que Choisir* published the results of tests showing an average level of 21 picograms of dioxins in the breast milk of 15 women in their 30s who live in both rural and urban areas.

The magazine said the dose of dioxins was 120 times the government-set admissible daily dose of one picogram per kilogram of bodyweight.

Dioxins are produced by the combustion of plastics and are blamed for causing cancers and for retarding children's intellectual development. (AFP)

Turkey Urges France To Drop Genocide Bill

ANKARA — Turkey called on France on Thursday not to pass a bill that it said accused Turks of carrying out genocide against Armenians during World War I.

"It would be a grave mistake," the Turkish Foreign Ministry spokesman, Necati Utkan, said. "It is not possible or correct to pin the genocide label on Turkey over the sorrowful events which occurred during World War I."

The French National Assembly is scheduled to discuss a draft law on Friday that states: "France publicly recognizes the Armenian genocide of 1915."

Armenia says that some 1.5 million Armenians were massacred by Turks by order of the Ottoman Empire in 1915. Turkey says that thousands of Turks and Armenians died in fighting between the two sides in what is now eastern Turkey and Syria. (Reuters)

Greek Bank Strikers Ignore Ban by Court

ATHENS — Employees at the state-owned Ionian Bank ignored a court ruling by remaining on strike Thursday in a dispute that has become a test case for the government's privatization drive to help join European monetary union.

On Wednesday, an Athens court declared the 17-day walkout illegal and threatened union leaders with heavy fines.

But only skeleton staffs were working at most branches and the central computer system was down, preventing major transactions. (Reuters)

Wolf Mankowitz, Writer, Is Dead

The Associated Press

DUBLIN — Wolf Mankowitz, a novelist and screenwriter whose writings included works drawing upon Yiddish folklore and his upbringing in London's East End, died May 20 in County Cork, Ireland, where he owned a home. He was 73 years old.

Mr. Mankowitz, the son of a Russian Jewish émigré to Britain, disclosed in his last book, "A Night with Casanova," published in 1991, that he had terminal cancer and would write no more.

As well as being a writer, whose potential some critics said was never fulfilled, Mr. Mankowitz at various times also owned a nightclub and ran an antiques and porcelain business.

He recalled growing up in the East End, where his earliest memories were of street markets, his father's own stall and life being "a battle for your pitch, against the police, the customer, life, everything."

Mr. Mankowitz's first novel, "Make Me an Offer," published in 1952, was about a dealer in Wedgwood china in

pursuit of a Portland vase. He later adapted it as a musical play.

Other popular works reflected his London upbringing, including "A Kid for Two Farthings" in 1955 and "My Old Man's a Dustman" the next year.

Mr. Mankowitz wrote screenplays for his own works and adapted others. His screenwork included "The Millionaire," a Bernard Shaw adaptation that starred Peter Sellers and Sophia Loren, "Waltz of the Toreadors," "Casino Royale," "Black Beauty" and "The Day the Earth Caught Fire."

"But his undoubted talent," The Times of London said in an obituary, "never translated into sustained artistic achievement, although he made a memorable and in some cases enduring contribution in many cultural fields, from poetry to porcelain."

Mr. Mankowitz wrote poetry through much of his life, but published only one collection, "12 Poems" (1971). His works on English porcelain included an encyclopedia published in 1957.

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INTERNATIONAL

In Indian Parliament, Calls for Calm Are Met With an Uproar

By Kenneth J. Cooper
Washington Post Service

NEW DELHI — Indian political leaders reacted to Pakistan's first nuclear tests on Thursday with calls for national unity, calm and resolve to meet the challenge of a dangerous new era in the regional rivalry.

But lawmakers did not immediately follow the advice of their leaders. The lower house of Parliament erupted in an uproar of shouting and finger wagging on Thursday afternoon when the news from Pakistan arrived during a second day of debate about India's own nuclear tests and its plans to make nuclear weapons. Opposition lawmakers boisterously accused the coalition government of endangering the nation by provoking a nuclear arms race.

The 545-member house did not settle down until the session was cut short and rescheduled for Friday, when debate will focus on Pakistan's bid to match India, test for test.

"A new situation has arisen," Prime Minister Atal Bihari Vajpayee said. "The house should think about it deeply and seriously."

"We may have our differences in our house," Mr. Vajpayee said, "but if the challenge is from the outside, we should give the message" that the country is together.

Sharad Pawar, a leader of the opposition Congress Party and a former defense minister, said: "We should not get panicky. We are quite competent to face any situation."

Mr. Vajpayee asserted that Pakistan's action had been anticipated and justified India's decision to declare itself a nuclear power after conducting five tests this month.

Previously, Mr. Vajpayee and other government leaders had explained India's carrying out nuclear explosions as a response to a perceived strategic threat from China. China, a declared nuclear power, was not mentioned publicly on Thursday.

"Pakistan's nuclear tests have confirmed what has been known all along," the Indian Foreign Ministry said, "that the country has been in possession of nuclear weapons."

"This event vindicates our assessment, and our policy as well as the measures that have been taken," the ministry added.

It was unclear whether Pakistan's tests and its vow to install nuclear warheads on its Ghauri missile, which is capable of hitting most major Indian

cities, would change India's evolving nuclear policy. Mr. Vajpayee said the developments "will be taken into account in formulating our policies."

But Defense Minister George Fernandes, who is not a member of the Hindu nationalist Bharatiya Janata Party, which leads the 14-party coalition government, said India would continue its moratorium on additional tests while proceeding with plans to build a nuclear arsenal.

"We'll go according to our own plans and programs," Mr. Fernandes said. "I don't think these tests will lead us to any change."

Last week, two ministers from the Bharatiya Janata Party had sent rumors of war swirling in the capitals of both India and Pakistan by making provocative statements about Pakistan's alleged support of separatist insurgents in the Indian part of Kashmir, the disputed Himalayan territory which has caused two wars between India and Pakistan.

A senior aide to Mr. Vajpayee later tried to ease the tensions caused by the bellicose statements of Home Minister L. K. Advani and Tourism Minister Madan Lal Khurana. Not all party members have abandoned such rhetoric. As he got into his car to leave Parliament, Satya Pal Jain, a junior lawmaker, said, "We are ready for war."

Opposition lawmakers said such statements, as well as the nuclear tests, endangered national security instead of reinforcing it.

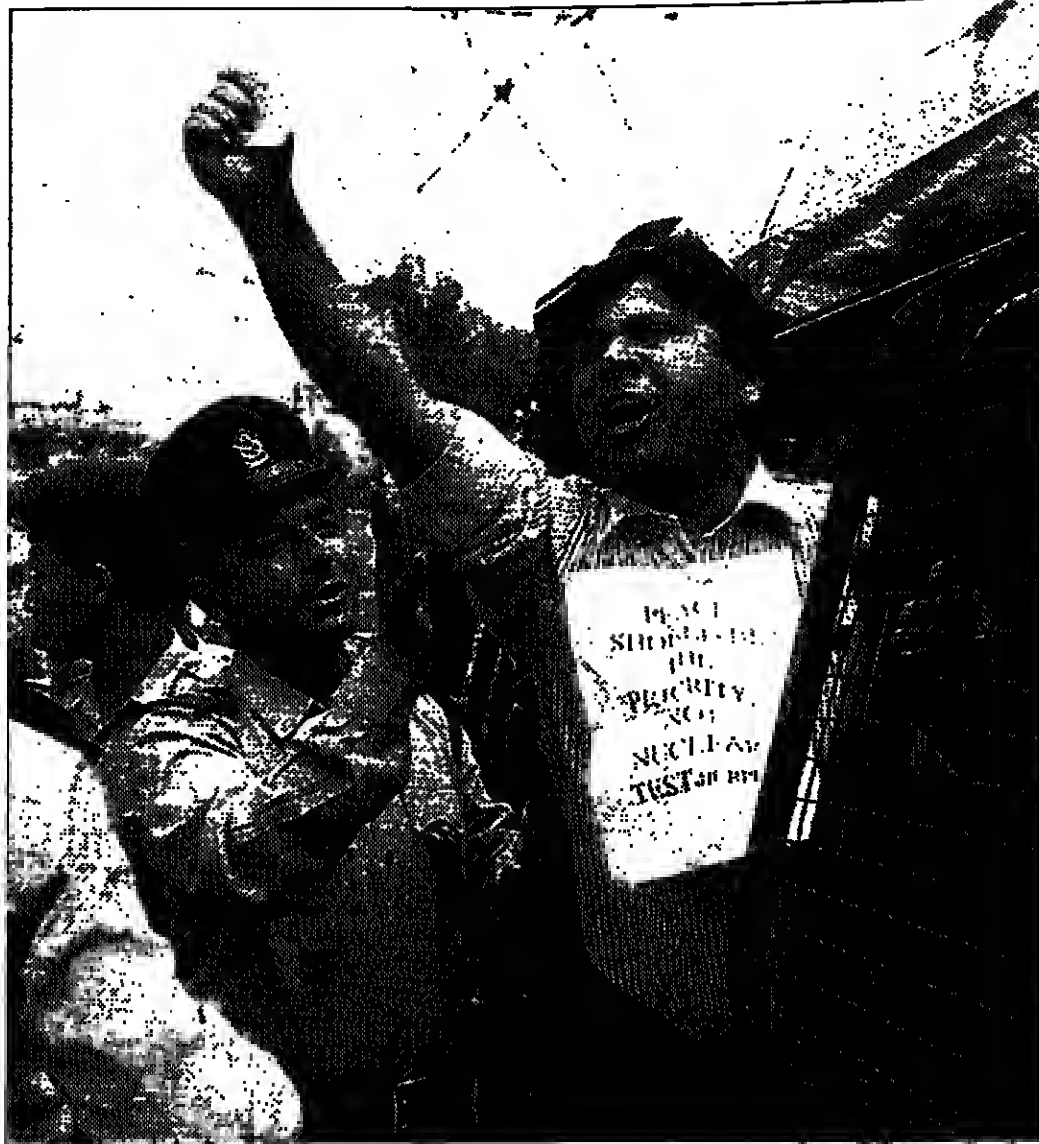
"They want to go for war and create a war hysteria," said Natwar Singh, a former foreign minister and a member of the Congress Party.

Somnath Chatterjee, a Communist lawmaker, said: "Now, it is a nuclear arms race in this region. That is our grave concern. Can the safety of this country be left to these people?"

S. Jaipal Reddy, a leader of the left-leaning Janata Dal party, said that before Pakistan's tests: "India had a decisive military edge over Pakistan. We must remember that an atom bomb is a great equalizer. With this test, the edge that India had has been wiped out."

In a historical sense, Pakistan's testing completed a delayed chain reaction started in Asia when China conducted its first nuclear test in 1964, prompting neighboring India to order its peaceful nuclear program to begin weapons research that ultimately resulted in its first underground test a decade later.

The Indian test in 1974 prompted Pakistan's leader at the time, Zulfikar Ali Bhutto, to vow to "go for nuclear status even if we have to eat grass."



A Nepalese man wearing an antinuclear slogan shouting as he was arrested on Thursday in Kathmandu, where the Indian president, K. R. Narayanan, arrived for a three-day visit.

CHAGRIN:
Sanctions by Clinton

Continued from Page 1

Indian tests, deplored the Pakistani explosions.

Britain urged India and Pakistan to attend to their "immense development priorities" instead of seeking to "emulate the days of the Cold War in armed confrontation." Canada said relations with Pakistan would be "placed on hold."

The U.S. sanctions are the same as those ordered against India: Washington will cut off foreign aid to Pakistan, restrict exports of military-related equipment, ban U.S. bank loans to the Pakistani government and instruct its delegations to the International Monetary Fund and the World Bank to vote against loans to Pakistan. On Tuesday, because of U.S. pressure, the World Bank announced an "indefinite delay" in \$865 million in loans to India.

But the impact on Pakistan, already under U.S. sanctions since 1990 because of its nuclear program, will be far more severe than it has been on India, and Prime Minister Nawaz Sharif warned his country on Thursday to brace for even more austere times.

Pakistan is more dependent than India on loans from multinational agencies, said Kimberly Elliott of the Institute for International Economics.

The impact as a share of gross domestic product will be from two to five times larger than it is on India, she said.

In addition, Pakistani foreign currency reserves are considerably lower than India's, meaning the sanctions could have a much more immediate impact.

Mr. Clinton, in comments made during a health-care event, said, "It is now more urgent than it was yesterday that both Pakistan and India renounce further tests, sign the Comprehensive Test Ban Treaty and take decisive steps to reduce tensions in South Asia and reverse the dangerous arms race."

He did not say whether the latest tests would affect his planned visits this fall to Pakistan and India. Clearly, however, the agenda and tone of the visits, originally intended to focus on economic cooperation and development, will be dramatically altered.

The president's comments came less than 12 hours after what a spokesman described as a "very intense" late-night phone call to Prime Minister Sharif, in which Mr. Clinton "implored" the Pakistani leader not to go through with the tests.

Asked if Mr. Clinton took the tests as a snub, his spokesman, Michael McCurry, said, "I think he well understands the difficulty of the situation the prime minister faced."

Mr. Sharif told his countrymen in a speech on Thursday that the international community had not responded harshly enough to the Indian tests, leaving Pakistan no choice.

The tests by India and Pakistan could cast an enduring chill over U.S. relations with the Asian Subcontinent, depending on how the two countries now proceed. The testing might clear the way for a tense but enduring standoff, a regional version of the superpower deterrence of the Cold War years, or, as Mr. Clinton said he feared, an unpredictable and highly dangerous arms race might now accelerate toward an uncertain end.

"I'm very concerned," Alexander Lennon, deputy director of studies at the Center for Strategic and International Studies, said in a phone interview. "We have two countries that do not get along, on each other's border, putting themselves in a hair-trigger nuclear situation."

John Paracchini, senior associate at the Monterey Institute's Center for Nonproliferation Studies, agreed. "This raises the whole level of tension," he said. "These are two countries that have fought three wars and are really engaged daily in low-intensity conflict in the mountains of Kashmir. It creates a crucible effect that is very disquieting."

Mr. Clinton said he hoped the "determined efforts" of the United States and its allies would succeed in defusing the tensions on the subcontinent.

In contrast to the Indian explosions, the United States was not caught off guard by the Pakistani tests. U.S. spy satellites detected preparations days ago. Yet, the effort by Mr. Clinton and the U.S. diplomatic and military establishments to persuade Pakistan not to copy the Indian example proved fruitless.

PAKISTAN: First Nuclear Tests Accelerate Regional Arms Race

Continued from Page 1

are to deter aggression, whether nuclear or conventional."

The statement implies that if Pakistan, whose conventional forces are dramatically inferior to India's, were to face defeat in a conventional war, it might resort to nuclear weapons.

Pakistan's decision to push forward with testing and confirm its long-suspected nuclear capabilities came after two weeks of intense diplomatic pressure not to follow the example of India, which also was known to have an aggressive nuclear program since it first tested a nuclear device 24 years ago.

Mr. Sharif was besieged by phone calls from world leaders, including President Bill Clinton, Prime Minister Ryutaro Hashimoto of Japan and Prime Minister Tony Blair of Britain, all of whom offered to help Pakistan with conventional weapons and economic assistance if

Mr. Sharif would forgo nuclear testing.

The tests also followed what appeared to be provocations by India, which is governed by the Hindu nationalist Bharatiya Janata Party. Acting on a pledge in its party platform, it staged India's tests just six weeks after it gained office as the head of a shaky 14-party coalition.

Political analysts said the Indian government was driven by a desire to win international prestige as a nuclear power and to shore up domestic support, perhaps in preparation for calling early elections and trying to win a majority.

Shortly after the tests, the Indian home minister, L. K. Advani, warned Pakistan that it should recognize the new strategic reality and stop interfering in Kashmir, a mountainous border region that both countries claim. Pakistanis regarded the comments as nuclear blackmail, which hardened demands, especially among influential Muslims, to respond with tests.

Pakistani military sources said that recent heavy movement by Indian troops along the border in Kashmir — long considered one of the world's prime flashpoints for nuclear war — also raised concern that the Indian Army might cross the border if there was no demonstration of Pakistan's nuclear capability and resolve.

Pakistan will now face the same economic sanctions that were imposed on India after it exploded its devices, but the impact is most likely to be much graver here because of the country's smaller economy and bleaker debt picture.

Under U.S. law, Washington must suspend foreign aid, ban private bank assistance to the government and vote against loans and grants from such multilateral lending institutions as the World Bank and the International Monetary Fund.

Financial analysts have said — and Mr. Sharif was warned by top aides — that with a national debt of \$50 billion, annual debt payments of \$5.5 billion and only about \$1 billion in foreign reserves, that Pakistan could go into default on its international loans. That could lead to spiraling inflation, currency devaluation and social and political unrest.

Signaling the deep concern of the financial community, which was rife with rumors of an imminent test, the Karachi Stock Exchange closed Thursday at 1,048 points, its lowest ever. Since India's tests, the Karachi exchange has lost 495 points, or almost a third of its value.

Mr. Sharif and his cabinet have said that neither the threat of default nor the promise of economic rewards would influence their final decision, which they insisted concerned national security.

In his speech to the press, the prime minister said that since India's tests, the world community had offered nothing to increase Pakistan's security against India's "nuclear blackmail." That echoed remarks by advisers in recent days that the only deterrent against a nuclear weapon was another nuclear weapon.

In addition, Pakistan had been bolder in its hope that the United Nations might step in with tough sanction against India, similar to the sort of inspections and sanctions leveled against Iraq during and after the Gulf War in 1991. But the world community clearly did not have the stomach for such a public flogging of India, the world's biggest democracy and self-declared leader of nonaligned nations.

The decision to proceed leaves world arms-control efforts in general, and U.S. nuclear nonproliferation policy in particular, in a shambles.

Neither India nor Pakistan has signed the Nuclear Nonproliferation Treaty or the Comprehensive Test Ban Treaty, the two principal global accords on nuclear weapons.

The world community is now left with a choice of making India and Pakistan nuclear rogues states or eventually welcoming them into the nuclear club and setting a precedent for other countries, such as Israel and North Korea, to explode a device.

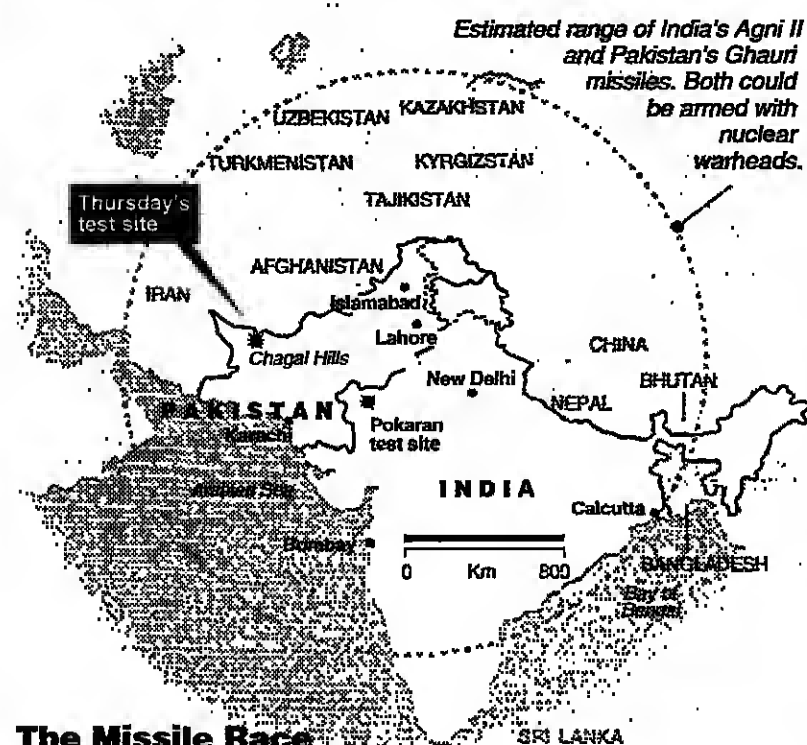
The five tests conducted by Pakistan were a bit surprising, given that analysts had estimated that it possessed enough material to construct just 15 to 25 nuclear weapons. This meant that the country could have used as much as a third of its stockpile of nuclear material.

India, analysts say, has enough material to construct as many as 74 bombs.

Mr. Sharif, in his speech and subsequent press remarks, provided few technical details about the tests. He took no questions and no officials were available for elaboration.

Foreign Secretary Shamshad Ahmad said that results of the blasts were still being analyzed and declined further comment.

Mr. Sharif said the detonations had released no radiation into the air.



The Missile Race

INDIA		PAKISTAN	
Missiles	Range	Missiles	Range
Prithvi 150	150 km	Haft 1 & 2	100-300 km
Payload 1,000 kg		Payload 500 kg	
Prithvi 250	250 km	Haft 3	600 km
Payload 500 kg		Payload 500 kg	
		M-11	300-600 km
		Payload 500 kg	(Chinese made)
Under development		Under development	
Agni, flight tested to 1,400 km, future range 2,500 km		Ghauri, flight tested to 1,500 km, future range 2,500 km	
Air Forces		Personnel	
777 combat aircraft. Advanced fighter-bombers include the Russian-made Su-30s with a range of 5,000 km, MIG 23s, French Mirage-2000s, and French-British Jaguars		429 combat aircraft. Fighter-bombers include U.S.-supplied F-16s. Chinese-built planes include F-6s.	
Army	980,000	Army	520,000
Navy	55,000	Navy	22,000
Air Force	110,000	Air Force	45,000
Total armed forces	1,145,000	Total armed forces	587,000

Sources: International Institute of Strategic Studies; Jane's Defence Weekly; NYT

BRIEFLY

Arafat Faces No-Confidence Vote

RAMALLAH, West Bank — A defiant Palestinian legislature said Thursday that it would hold a vote of no-confidence in the government of Yasser Arafat, the Palestinian leader, to protest its inaction.

The no-confidence vote, scheduled for Saturday, would be the first since the 88-member council was elected in January 1996.

A total of 28 legislators, including several members of Mr. Arafat's own Fatah faction, signed a petition in favor of holding the vote to protest the government's failure to approve a 1998 budget or to carry out the council's laws and resolutions, and Mr. Arafat's failure to put into effect long-promised reforms following reports of high-level corruption and mismanagement.

Trying to avert the council's action, Mr. Arafat on Thursday signed five minor laws passed by the legislature. But lawmakers were not satisfied.

Hackers Trash Israel Websites

JERUSALEM — Neo-Nazi computer hackers broke into 30 Israeli Internet servers at the end of the week, interfering with dozens of computer sites, the daily Ma'ariv reported Thursday.

The self-styled neo-Nazi hackers did "a thorough and meticulous" job, specialists told the newspaper.

The vandals damaged hard drives and files. The owners of the websites fear the hackers left viruses that can be triggered at a later date, it said.

The paper said the attack on the Israeli Internet sites was thought to be a response to the success of an Israeli hacker in

accessing Pentagon and other U.S. government computers in April. When he was arrested, the 18-year-old said he had interfered with neo-Nazi websites.

Venezuela Changes Election Date

CARACAS — Venezuela's largest political parties have joined forces to change the date of national elections this year, a move opponents denounced as a ploy to hamper independent candidates.

The decision Wednesday to bring forward congressional and state governor polls to Nov. 8, one month before the presidential vote in December, will improve the efficiency and legitimacy of the elections, supporters of the bill said.

Presidential, congressional, state and municipal elections were all scheduled for Dec. 6, leaving voters with the task of making up to 16 election choices on the same day. Municipal elections have been postponed until the second half of 1999.

Mass Grave Found in Honduras

TEGUCIGALPA, Honduras — Investigators have discovered the remains of 98 people in a mass grave, including those of an American priest-turned-guerrilla missing since 1982, a human-rights group announced.

The investigators, working from information provided by the U.S. State Department, uncovered the mass grave of a Jesuit priest, James Francis Carney, and his guerrilla dependent Comandante of Relatives of the Disappeared.

Ms. Oliva said that exhumations would not begin until September.

German Law Corrects
Some Wrongs of Nazis

Moral Rehabilitation for Victims of Injustice

By Alan Cowell
New York Times Service

BONN — Years after the death of many of its likely beneficiaries, the German Parliament finally approved a mass pardon Thursday for hundreds of thousands of people punished unjustly by Nazi courts, military tribunals and medical panels.

The new law is designed to provide moral rehabilitation for those Germans who fell foul of the Nazi system as resistance fighters, homosexuals and deserters. It also formally exonerates some 350,000 people forced to undergo sterilization because of physical disabilities during the Nazi era from 1933 to 1945.

"No conviction that represents typical Nazi abuse of justice will any longer be valid," said Horst Eysmann, the chairman of a parliamentary panel that drew up the new law. Both the surviving victims and their families "will now be able to feel they have been rehabilitated."

However, the final draft of the pardon left some ambiguities over the contentious issues of deserters and homosexuals — part of the debate that has helped up the law for decades as courts wrangled over the status of Nazi courts and laws.

In the 1950s and 1960s in particular, German courts reaffirmed Nazi judicial actions, strengthening suppositions that many judges at that time were protecting their own shadowy pasts under Hitler.

The new law also drew contentious debate.

Conservatives, including many in

Chancellor Helmut Kohl's Christian Democratic Union, argue that deserters endangered other German soldiers — whatever the cause they were fighting for — and that no specific reference should be made to homosexuals, tens of thousands of whom were persecuted by the Nazi authorities.

Additionally, some 20,000 deserters were sentenced to death by Nazi courts along with conscientious objectors. Others were sent to concentration camps. The German Parliament last year granted compensation of \$4,200 each to the families or to any survivors of deserters and conscientious objectors. But that did not formally exonerate them.

The new law, which does not offer compensation, said Nazi convictions "for political, military, racist, religious or philosophical reasons after Jan. 30, 1933, that offend the basic precepts of justice, will be lifted." Its supporters said the phrasing of the law included deserters and homosexuals without mentioning them specifically.

The wording was a compromise between Mr. Kohl's followers and opponents seeking acknowledgment of the persecution of homosexuals, deserters and conscientious objectors. The precise nature of the purported offenses against Nazi law was not spelled out, opponents of the compromise language said, so that the pardon remained ambiguous.

"Not all homosexuals and deserters will be rehabilitated unconditionally," said Volker Beck, the legal spokesman for the opposition Greens party.

exit polls would be confirmed by the official results.

He added, "Denmark does not deserve to be isolated from Europe."

Uffe Ellemann-Jensen, the former foreign minister and the losing candidate for prime minister in parliamentary elections in March, said: "I've been very, very nervous. But I'm relieved it seems to be a 'yes.'"

In 1993, the Danes' approval of the Maastricht treaty led to street disturbances. The Copenhagen police were preparing Thursday for possible violent protests.

(AFP, Reuters, AP)

DENMARK: Voters Approve EU Treaty

Continued from Page 1

lation in Europe in the event of a 'no' vote.

Throughout the referendum campaign, Mr. Rasmussen stressed that the Amsterdam treaty "is better than Maastricht" as it "defends the values that Danes support, such as a unified Europe working for a cleaner environment, more jobs, increased transparency, democracy and peace."

Finance Minister Mogens Lyketoft expressed his "delight" with the outcome and said he was "convinced the

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CHAGRIN: Sanctions by Clinton

Continued from Page 1

Clinton's decision to impose sanctions on India and Pakistan is a significant move, according to some observers. The move is seen as a response to the recent nuclear tests conducted by India and Pakistan. Clinton's decision is also seen as a signal to other countries that the United States is serious about preventing the proliferation of nuclear weapons.

The move is also seen as a challenge to the international community. India and Pakistan are both members of the Nuclear Suppliers Group, which is a group of countries that have agreed to restrict the export of nuclear technology and materials. Clinton's decision to impose sanctions on India and Pakistan is seen as a challenge to the group's effectiveness.

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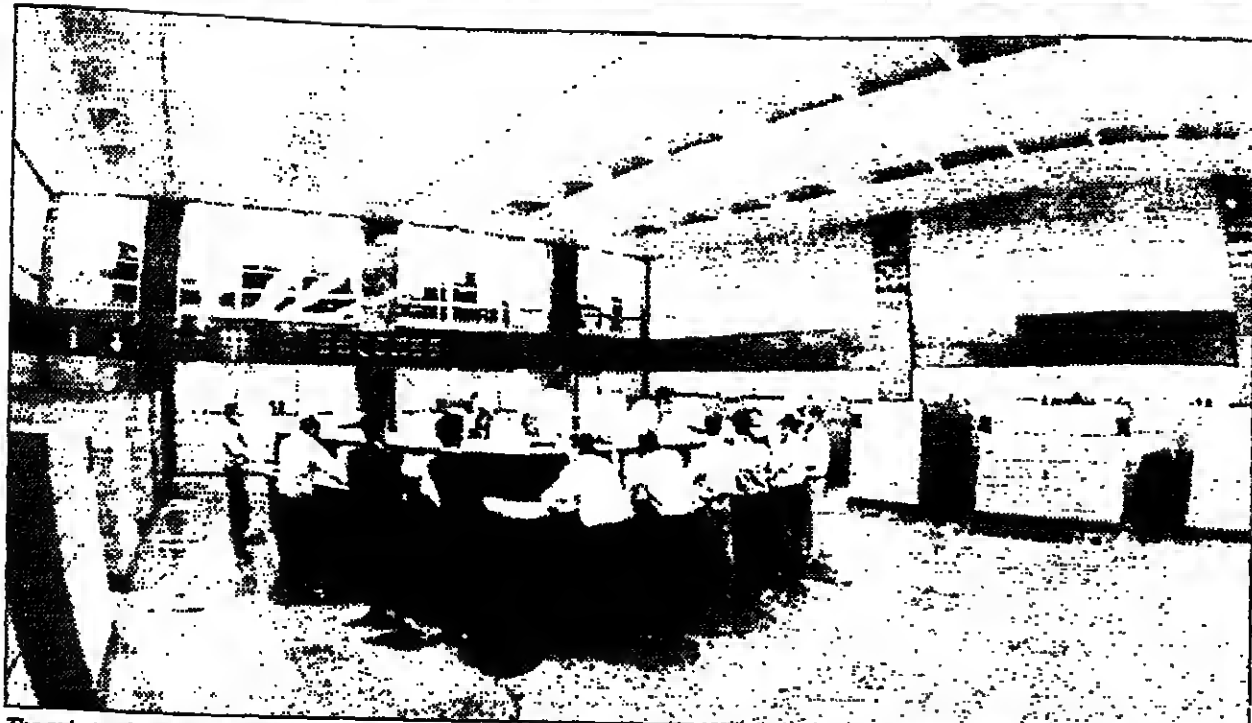
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The substantial growth in market capitalization and liquidity has been matched by strong technological and operational development.

TRADING, SHARE PRICES HIT NEW HIGHS

In the first four months of 1998, the main index gained 54.2 percent.

The Lisbon Stock Exchange (BVL, Bolsa de Valores de Lisboa) is rapidly establishing a reputation as a mature capital market with the international recognition, technical efficiency and range of investment choices befitting one of the most promising financial markets in the single European currency zone.

Lisbon has grown in capitalization and liquidity at a pace that equals its development on a technical and operational level. Total market capitalization grew by 35.2 percent in 1997, to 14.4 trillion escudos (\$78 billion), the equivalent of 80 percent of Portugal's gross domestic product. By the end of April, the market capitalization of all listed securities totaled 19.2 trillion, more than the forecast value of Portugal's GDP for 1998.

Share prices have tripled in little more than two years. In the first four months of this year, the BVL 30 index, the main share index, gained 54.2 percent, one of the biggest rises for a European Union stock market. This followed a 74.7 percent increase in the BVL 30 in 1997.

The equity market in particular had a striking performance, and the volume of shares traded in April was 4 percent above the previous month and 241.1 percent above April 1997. Total trading volume in April reached 234 billion escudos, almost equal to the volume of trading for the whole of the first 11 months of 1997. Share trading accounted in this period for 88.5 percent of the BVL's total turnover.

Economy is expanding

This positive evolution has been influenced by several factors. The Portuguese economy has been expanding strongly, with GDP growth above 3 percent since 1996, and is forecast by government officials to continue at that level beyond 2000. At the same time, interest rates, inflation and the budget deficit have fallen to historic lows.

providing a sound economic environment that enabled Portugal to qualify as one of the founding member states of the single European currency, the euro, next January. Large-scale privatizations have also injected new vigor into the market. They have substantially altered the structure of the BVL for the better by diversifying the sectors listed and attracting new foreign and local investors. At the end of 1997, privatized companies accounted for 53 percent of the total capitalization of the main Lisbon market and for 59.3 percent of total trading.

"The privatization program, carried out mostly through the stock exchange, has played an important role in the growth of market capitalization and in the diversification of the biggest listed companies," says José Carlos Pestana Teixeira, chief



José Carlos Pestana Teixeira, chief executive of the BVL.

executive of the BVL. "As a result of the government's decision to emphasize the role of the stock exchange in this process, we have developed substantial know-how in the area of privatization and like to consider that we are making an important contribution to the success of the program."

Privatization boost

An initial public offer of Electricidade de Portugal (EDP) in June 1997, followed by a secondary global offering of Portugal Telecom,

set new records for investor demand. The EDP sale, Portugal's biggest privatization to date, was 37 times oversubscribed by retail investors and 25 times by institutions. The offer raised 386 billion escudos.

The Portuguese government's sell-off program for 1998-99, which aims to raise 800 billion escudos from the sale of 17 companies, began earlier this month with a highly successful global offering of 25 percent of Cintróp, the country's biggest cement producer. A secondary offering of just under 15.5 percent of EDP is to follow in June or July. These privatizations will provide further stimulus to the buoyant Lisbon stock market and attract new foreign investors.

Overseas investors, attracted to the Lisbon Stock Exchange by highly successful public offerings of companies such as EDP, Portugal Telecom and the cement group Cimpor, are being favorably impressed by what they find: a modern, technologically advanced stock exchange that equals the best in Europe for efficiency and transparency.

"Foreign investors are increasingly looking at Portugal as a developed equity market with strong growth potential," says Mr. Pestana Teixeira. "Liquidity is increasing strongly, and turnover is growing more than twice as fast as market capitalization."

The Lisbon equity market's performance reflects the sound growth of the Portuguese economy as a whole. Portugal is enjoying its most robust period of economic expansion since the mid-1980s, when the country joined what later became the European Union.

Says José Lemos, chairman of the Lisbon Stock Exchange Association: "The good performance of Portugal's main macroeconomic indicators, based on sustained GDP growth and on decreases in interest and inflation rates, has helped lead to a substantial increase in the

trading volume of the Lisbon Stock Exchange and to substantial rises in share and bond indices. This process has been furthered by a massive influx of foreign funds invested in Portuguese securities and a dynamic privatization program."

Developed-market status Against this background, the Lisbon Stock Exchange has been rapidly developing in maturity and sophistication.

From last December, Morgan Stanley Capital International included the BVL in its developed market indices, upgrading Lisbon from an emerging to a developed market. "The change marks a recognition that Portugal's overall level of economic development, its economic and financial policies, and its equity market characteristics are now approaching or similar to those of neighboring countries," Morgan Stanley said.

For the first time, Portuguese companies, a total of 18, were included in the FT/S&P Actuaries World Indices from May 1. Portuguese companies have also been included in Dow Jones World Indices since October 1997, and Lisbon is present in the Stoxx Indices launched in February.

Mr. Pestana Teixeira says the upgrading has laid the foundation for "an even more sophisticated market with higher levels of activity and more participants." The greater exposure given to Lisbon, both domestically and internationally, he says, the better conditions will be for companies to use the market as an alternative for their financing.

"Through its investors, the Lisbon Stock Exchange provides a source of funds for companies that have an increasingly relevant role in the Portuguese economy. Its importance can be seen in the fact that Lisbon's market capitalization is now bigger than Portugal's estimated GDP for 1998," says Mr. Pestana Teixeira. ●

PORTUGAL

UPDATE IN A SERIES

THE STOCK MARKET

BVL RETOOLS TO SUSTAIN GROWTH

The modernization program is one of the most important structural developments in its history.

The Lisbon Stock Market (BVL) has invested significant resources in modernizing its infrastructure, an initiative that the exchange considers to be one of the most important structural developments in its history. The aim is to create the most appropriate environment for growth.

Investment has been focused on the information broadcasting system, with the implementation of a real-time, multilateral, user-friendly information service, Infobolsa, and the building of a new historical database, Dathis, to support research and analysis.

New trading system

Last year, the exchange decided to introduce a new trading system and went on to select the Paris bourse's NSC (Nouveau Système de Cotation, or SuperCac), which is also used in Brussels, Toronto and São Paulo. An agreement was signed in February, and Portuguese and French teams have since been working together on adjusting the system to the Portuguese market.

The new system is due to begin operating on January 4, 1999.

Lisbon currently uses two fully automatic trading systems. Tradis, a continuous trading system, was launched in September 1991 and handled 97.5 percent of total turnover value in the first quarter of 1998.

A more traditional system, known as SIIB, has three daily fixings and handles only about 2.5 percent of total turnover.

Part of the Portuguese bourse's modernization is the

has grown substantially," Mr. Pestana Teixeira adds. "The recent launch of the Oporto Derivatives Exchange (BDP) also represents a necessary and welcome development for the Portuguese capital market. Derivative products will enhance the participation of foreign investors in different segments of our market."

As hedging instruments, futures and options will allow investors to enlarge their positions in Portuguese assets. "As a result, the BVL expects a further significant increase in foreign interest."

The "repo" market has also been an important stimulus for the Oporto Derivatives Exchange (BDP), whose main futures contract, the PSI-20 stock index, has helped attract new investors to the Lisbon cash market.

Beefing up regulation

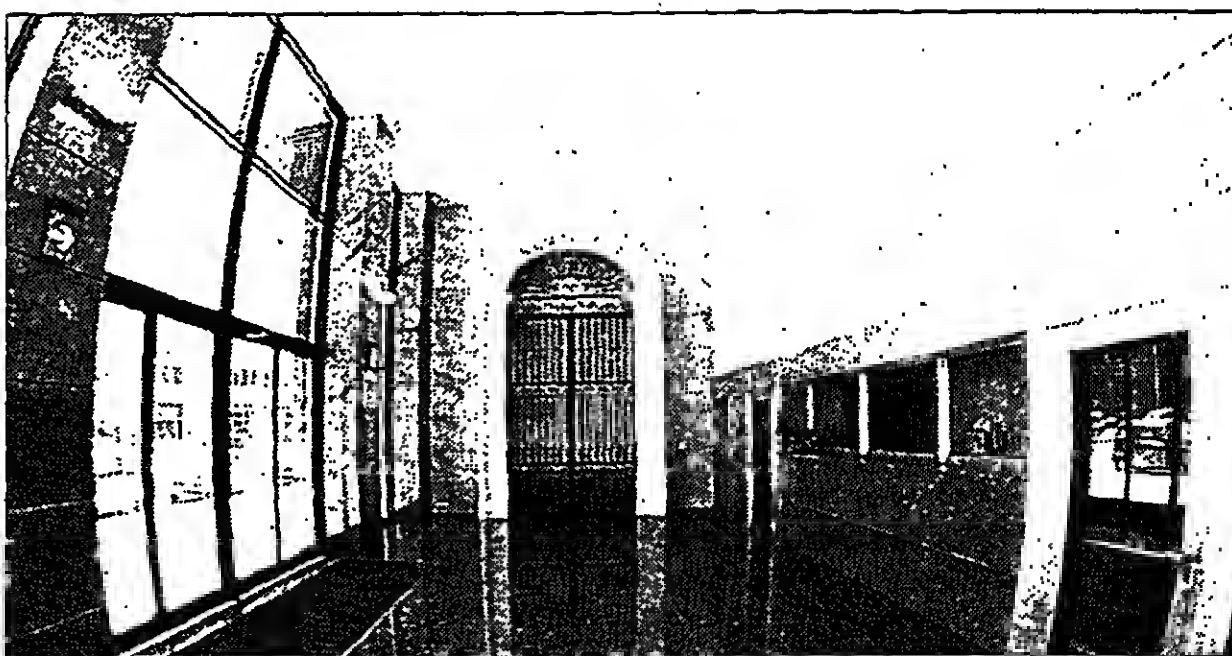
Security-market authorities are also completing the regulatory liberalization and modernization of the Lisbon market.

"Over the past few years, Portugal's legal and regulatory environment has moved in line with other European markets in regard to reporting, information, dividends and several other important areas," says a leading Lisbon analyst.

Last year, the suspension of stocks for up to four days for dividend payment was abolished. Trading of shares is no longer suspended for the payment of dividends.

"The legal framework of the Portuguese capital market has been substantially enriched," says José Lemos, chairman of the Lisbon Stock Exchange Association. "The publication of legal regulations allowing the Oporto derivatives market to begin operation, the regulation of margin account transactions and the setting up of the Lisbon Stock Exchange Association Guarantee Fund are among the leading measures. This set of new laws has not only paved the way for the development of new products and markets but also strengthened the security of the different parties intervening in the Portuguese stock market."

In addition, the highly qualified and motivated young



The exchange's move to a new home in Lisbon's financial center has been accompanied by investment in new technology.

GETTING READY FOR THE EURO

The Lisbon Stock Exchange (BVL, Bolsa de Valores de Lisboa) is moving quickly to adapt to the euro. Stock exchange prices of shares will be quoted in euros beginning on January 4, 1999.

Analysis is well advanced on the impact the introduction of the euro will have on information, trading clearing and settlement. In common with other Euroland markets and as a step toward the changeover, Lisbon bonds will be priced in July with an indication, shown as a percentage, of their par value.

Although historical data in the stock exchange data banks will remain in Portuguese escudos, trades and market statistics will be spread from January 4, 1999.

After that date and during the transition period, until the euro replaces individual currencies, one of the daily prices for each share traded will be reflected in escudos to help investors make comparisons. To help get investors accustomed to new values, in 1998 the stock exchange will list some prices in Escus, since the Ecu will be exactly equal to the euro on January 1, 1999. The Ecu is worth about \$1.10, and the escudo trades at about 183 per dollar.

The CMVM, Portugal's financial markets watchdog, is now generating a series of measures to prepare markets for the single currency, according to the chief executive officer, José Nunes Pereira. The recommendations cover redenomination of shares and bonds in euros after the single currency kick-off.

Mr. Nunes Pereira said the CMVM prefers the "bottom-up" method for redenominating fixed-income portfolios. The repricing method starts with the shortest-term portfolios first, redenominating up the scale in accordance with the investment's term period.

Redenomination in euros of listed direct public debt will start in January.

Both the Lisbon stock exchange and the smaller Oporto

Derivatives Exchange (BDP), based in the northern city of Oporto, have opted for a Big Bang scenario—all changes will occur at the end of the last session in 1998.

The BDP will automatically convert all its open positions at its last 1998 session. It is presently working with a hypothetical conversion rate of 1 euro equaling 202.1232 escudos.

The derivatives exchange trades in a limited number of futures and options and has set out in detail how these will be converted. Futures contracts will all be subject to Big Bang conversion into the new currency, along with the spot market, avoiding price duplications.

From January 4, 1999, repo (repurchase agreement) registration and settlement will undergo some changes arising from the use of the euro—and from transformation of collateral assets underlying the operations, in this case, the redenominated government bond issues.

BDP will convert repos that close after Dec. 31 into euros repo by repo. The currency will first be converted into euros, followed by the repos, which will then also be converted deal by deal and following the logic defined for the underlying security portfolio. ●

BVL's recent move into a state-of-the-art complex in a new financial center taking shape in Lisbon, after operating for 225 years in an elegant 18th-century building in the heart of the city, says José Carlos Pestana Teixeira, chief executive of the Lisbon Stock Exchange: "The new premises are a symbol of the BVL's commitment to maintaining a confident attitude toward the future and to providing the market with everything it needs to develop strongly and efficiently."

Productive impact

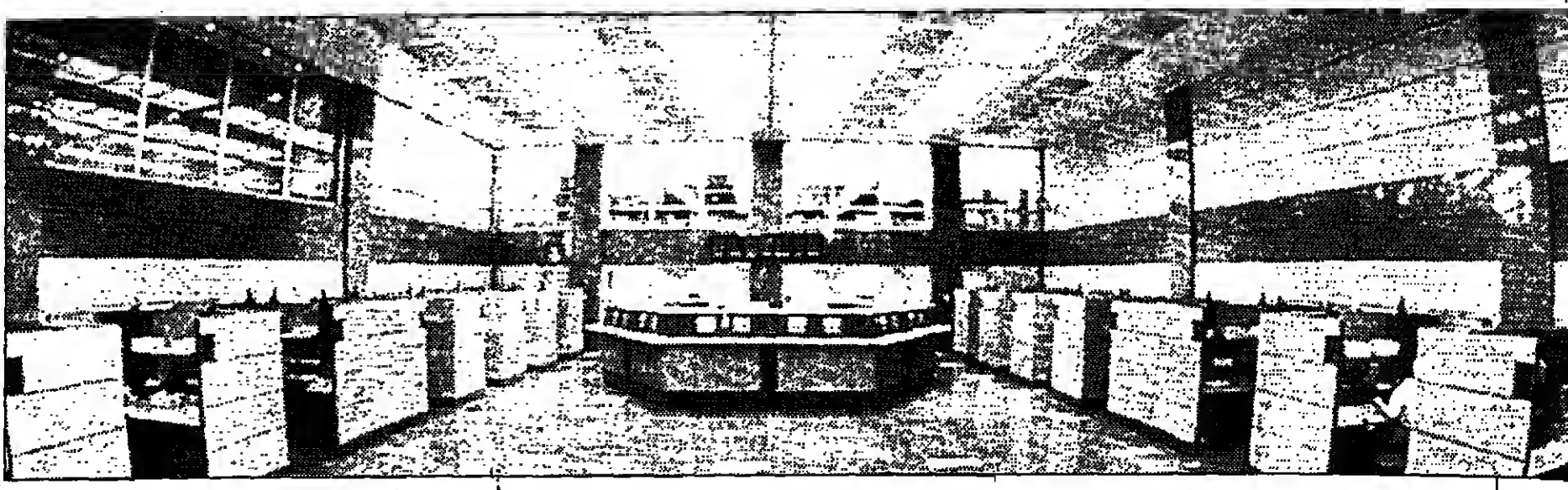
Reforms in recent years include the adoption of a continuous trading system, a computerized national stock-registration house and a new administrative law that governs insider trading, company disclosure rules and many other areas. "Modernization has had a very productive impact," says Mr. Pestana Teixeira. "Investors now have a clear overall picture of the Portuguese market, and the liquidity of most securities

BVL team is engaged in a worldwide campaign to promote its qualities, characteristics and potential in an effort to broaden its spectrum of investors. It is cooperating with emerging economies, mainly in Portuguese-speaking countries, in developing their exchanges."

The BVL is also planning for the advent of the single European currency, the euro, in 1999, and for the trading of new products, with the aim of creating additional liquidity. ●

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OPINION/LETTERS

Quick Fixes for Russia
Are Just for Starters

By William Safire

WASHINGTON — It cannot happen in the United States, but assume the Dow average were to drop substantially. Not just the 10 or 15 percent correction customary after big run-ups, but all the way down to 4,000. What would the reaction be?

After the disbelieving shock would come the rage. Fingers would point at economists who failed to foresee, at corporate merger maniacs, at bankers and brokers, at surplus budgeters and at muckraking journalists.

Most of all, Americans would fix their fury on the president. Having taken credit for the rain, Bill Clinton would be blamed for the drought. As his popularity plunged, impeachment for other than economic actions would be in the air.

Now take a look at Russia. The Russian stock market is the worst-performing market anywhere, down more than 50 percent this year, a panic-stricken 10 percent this week. The young unknown whom Boris Yeltsin put in as prime minister, Sergei Kiriyenko, has had to raise interest rates to 150 percent to avoid a run on the ruble. Desperate for \$2 billion in pay government workers, he put a huge government-owned oil company up for sale, but nobody bid.

And yet the populace has not risen up to demand a change in government. Unlike Americans with pension funds or 401(k) accounts, most Russians are not personally affected by the stock market. And published economic figures on the above-ground economy are misleading because three-quarters of business done in Russia is barter or paid with IOUs.

What would worry the average Russian most is inflation, which is now relatively low, running about 1 percent a month. That is why Mr. Yeltsin's untied new team is desperate to avoid devaluation.

Although it would restore some economic equilibrium, devaluing the currency would drive up the price of imports and hit Russians in their pocketbooks, causing political unrest.

The only calls for impeachment of Mr. Yeltsin come from the Communists in the Duma they dominate, but that is just a trick: The constitution forbids the president to dissolve the Duma if it is considering impeachment, and the Communists do not want to

face the people yet. That is because the Communists are stuck at one-fourth of the electorate.

An unscientific telephone poll last week on the popular television show "Itogi," with 30,000 respondents, showed the Communist Gennadi Zyuganov with only 18 percent; Moscow's mayor, Yuri Luzhkov, and the newly elected Krasnoyarsk governor, Alexander Lebed, tied with 25 percent, and the Yabloko reform leader, Grigori Yavlinsky, with 32 percent. Mr. Yeltsin, whose latest shake-up evidently inspired no confidence, was nowhere.

How does Russia's president restore investor confidence? He will seek to borrow more from the International Monetary Fund, grimly promising to collect more taxes from deadbeats.

That is just a palliative. If Mr. Yeltsin is to build the global market's confidence, he should take the state-owned Gazprom, the railroads and oil pipeline monopolies; bankrupt Soviet-era collectives and give the farmers their land; reduce and simplify taxes on individuals so he can collect them; close hundreds of tottering banks and make transparent the accounting of the remainder; break the system of official bribery, and protect small business from the Mafia. That is for starters.

Confidence does not come from loans: it is the other way around. When Russia replaces its present crony capitalism with free enterprise under contract law, it will build business confidence. When it stops selling nuclear technology to Iran and allying itself with Iraq, it will gain the diplomatic confidence of the Western nation that can do it the most good.

America's national interest is in advancing democracy and competitive capitalism. With the Soviet Union gone, Washington no longer has to support corrupt, autocratic regimes, as it did Suharto's Indonesia and the Shah's Iran, only because they are non-Communist.

Thanks partly to Mr. Yeltsin's courage, Russia is no longer Communist, but largely because of his economic ignorance, his resource-rich land with its literate people is stagnating and imploding. Confidence will overcome panic only when enterprise is freed.

The New York Times.



LETTERS TO THE EDITOR

Blood in Indonesia

Regarding "A Troubled Asia Resists America's Sense of Order" (Opinion, May 23) by William Pfaff:

Mr. Pfaff is a famed contrarian, but how can even he in successive sentences speak of "massacres that killed as many as 750,000 people" and then without blinking claim that "Indonesia's political transitions are for the most part conducted with discretion and elegance?"

Before the one now under way, Indonesia had just two such transitions. The first was the war of independence against the Dutch in the late 1940s; the second was the shift from Sukarno to Suharto beginning in 1965, with the aforementioned bloodbath.

If this is "discretion and elegance," one shudders to think what kind of regime Mr. Pfaff might regard as perhaps a shade too vulgar for comfort. Pol Pot, perhaps?

AIDAN FOSTER-CARTER,
Shipley, England.

Getting Ahead of EMU

European monetary union has passed its most important phase. Prominent economists such as Martin Feldstein have predicted higher unemployment, higher in-

flation rates and lower standards of living for Europeans and possibly a failure of the EMU.

Indeed, there are uncertainties and conflicts ahead, particularly with respect to the new fiscal and monetary arrangements for the next century. Problems should be anticipated, but we should look at the proper ones.

Is the nonexistence of a political union too much of a burden on the currency union? And is a political union necessary?

The EU was driven by the idea of unifying European countries so that Europe would not suffer again from nationalism or disastrous wars. The EMU seems to be viewed as a necessary step to achieve this.

The process of the EMU will not be finished in 1999 or 2002. Rather, the structure of the monetary and fiscal regulations of Europe's monetary union will continue to evolve for years to come. It is important to anticipate the problems, but the prediction of failure seems exaggerated.

WILLI SEMMLER,
Bielefeld, Germany.

Crisis and Democracy

Regarding "Financial Crisis Reshaping Asian Politics, Too" (May 20):

The writer quotes several pro-

ponents of economic globalization who are almost giddy at the prospects of more democracy in Asia.

Almost 70 years ago, another economic catastrophe swept over the world. While the effects of this eventually resulted in the end of colonialism and a more democratic Europe, no sane person today would ever claim that the Depression was a good thing.

The Asian crisis was caused by the failure of the world's economic system, not its success. To claim otherwise is to defy the very invisible hand that Keynes so devastatingly attacked in "The End of Laissez-Faire."

Such pro-market arguments also reveal a certain callousness of those at the top for those who must bear the brunt of economic failures.

The end does not justify the means when the general misery of the world is increased.

PHILIP GRANT,
Kyoto, Japan.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

Asia's Populi Should Lose
Its Yearning for Caesars

By Sunanda K. Datta-Ray

SINGAPORE — Former President Suharto of Indonesia was the last of the quintessentially Asian rulers who thrived in a culture of deference to authority. I think of him as representing the kind of elective monarchy that India's first prime minister, Jawaharlal Nehru, warned against in an unsigned essay in 1937. "We want no Caesars!" he declared, despite his own dictatorial tendencies.

Even Mr. Suharto's sobriquet of Bapak Pembangunan, Father of Development, usually shortened to Bapak, would have been unthinkable in a more egalitarian

er. They converted his first name into a hereditary title, as in Sheikh of Arab, so that his daughter, Prime Minister Hasina Wazed, is known today as Sheikh Hasina. They also called him Bangabandhu, Friend of Bengal.

There was a heavy price to pay. The story goes that he laughed off warnings of an earlier plot to kill him. He was the nation's father, he said; people do not commit parricide.

Perhaps the butchery in 1975, when he, his wife, two sons and other relatives were slaughtered, could have been avoided if it would have been possible to confront him politically and legally.

A society's safety valves are criticism in press and parliament, scope for impeachment in a just court of law and the prospect of defeat in free and fair elections. But when these outlets are blocked and larger-than-life leaders are presented as sacrosanct, discontent will explode into violence. It is the only way of removing rulers who have become more than mortal clay.

Indonesia is the perfect example of this. Someone wrote of Mr. Suharto that he was of peasant birth but had a princely bearing. He was more. He had reinvented himself as a Javanese king.

Yet it was the Indonesian people who expected not a humdrum president but a sultan with divine mandate. The man who had taken power in a cataclysmic upheaval in the 1960s was happy to oblige.

Indonesia's new president, B. J. Habibie, is cast in a different mold. But it might not be too difficult for him to slip into a similar role and project himself as another august personage, a Bapak Reformasi, or Father of Reform, as a newspaper columnist suggested the other day.

That would be fatal for the safety of his office and the stability of his country. Asian politicians must stop playing Caesar. But as Nehru realized in 1937, it is difficult for them to do so if Asian voters cannot rise above a deferential banking for monarchy.

The writer, former editor of The Statesman in India, is now an editorial consultant with The Straits Times in Singapore. He contributed this column to the International Herald Tribune.

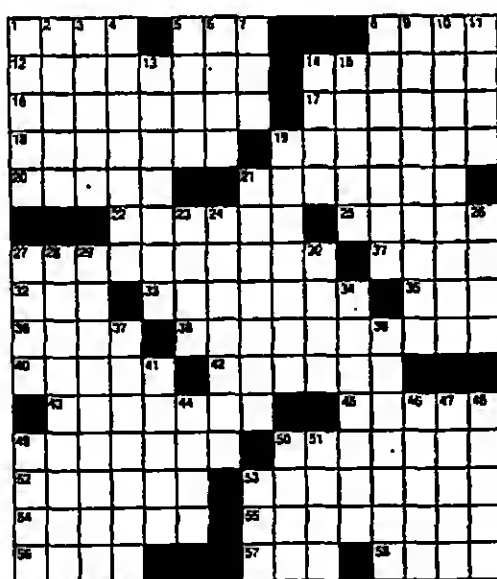
CROSSWORD

- ACROSS**
- 1 Hispaniola, por ejemplo
 - 5 The Sultan of Sulu's writer
 - 8 Bone: Prefix
 - 12 Winkily-skinned dogs
 - 14 Impersons
 - 16 Bosh
 - 17 Fronton gear
 - 19 Wrong
 - 13 Given to snoring, say
 - 20 One throwing in the towel
 - 21 Popular
 - 40 Across subject
 - 22 Longtime "Today" figure
 - 25 Marsh bird
 - 27 Entries
 - 31 Sci. course
 - 32 "—lu"
 - 33 Promoter of Paris?
 - 35 Faulstich's title
 - 36 Suffix with strip or seed
 - 38 Braveheart and Anne Hathaway, e.g.
 - 40 Noted impressionist
 - 42 Warner, in a way
 - 43 Saved the King, maybe
 - 45 Thrills
 - 46 Pas
 - 50 Composer Rimsky-Korsakov
 - 52 Designate
 - 53 Like some TV show
 - 54 Persian, perhaps
 - 55 Exchanges
 - 56 "The Thinking Eye" artist
 - 57 Bad start?
 - 58 Where Mays wrapped up his career
 - 14 Nobel Prize subj.
 - 15 Some autos, for short
 - 16 Ferner neighbor
 - 21 Made weak
 - 22 Blind as —
 - 24 Bluebonnets
 - 26 12-time Ivy League football champs
 - 27 African spread
 - 28 Clinton supported it
 - 29 "Road" destination of 1940
 - 30 Swami
 - 34 Migrated like the Boers
 - 37 Certain main
 - 38 Team since 1954
 - 41 "Goosebumps" author R. L. —
 - 44 Baltic native
 - 46 Don't match
 - 47 Bright-eyed Couric
 - 48 Italian city known for its Orsini
 - 49 Excuse tax unit
 - 50 Not
 - 51 "Take — a compliment"
 - 53 Inc., overseas

Solution to Puzzle of May 28

FLAG SLAY SHIRE
LAKE HONE HONOR
OURQUESTSPEAKER
ORO FREE LAM
RANDOM SOY SOU
ISAMANWHOWAS
ALTO NOTI GRAVE
BORN SNEVA AVER
AGING DUEL TESS
TOBEONAPLANE
EISE BOY REDRAW
INTHIRTYMINUTES
ROWAN ALPS GILT
KNICKS JEST ROIS

- DOWN**
- 1 Suffix with material
 - 2 Did superbly
 - 3 Shot in the foot
 - 4 Recliner lake
 - 5 Steak, in automotive lingo
 - 6 Noted Christian
 - 7 Cornerstone abbr.
 - 8 Bluer than blue
 - 9 Caustic, in a way
 - 10 Switch
 - 11 Start of North Carolina's motto
 - 12 Like some victories



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THE WORLD'S DAILY NEWSPAPER

In Greece, Hidden Treasures Along Roads Less Traveled

On the Untouched Island of Evia,
Discovering a Hikers' Paradise

By Melanie Wallace

KARYSTOS, Greece — This town on the southern half of the Greek island of Evia is not pretty, nor is it particularly popular with tourists. Concrete military dwellings ring its port, behind which looms the 1,400-meter Mount Ohi.

In summer, the ferry from Rafina, two hours away, makes a daily crossing. Long ignored, much of this 3,800-square-kilometer (1,457-square-mile) Aegean island — the second largest Greek island after Crete — is often bypassed by tourists bound for the northern Cyclades: Andros, Tinos and Mykonos.

But for hikers like me, who long for several days of trekking in a bit of Greece untouched by anything but wilderness and hospitality, Evia — and especially Mount Ohi, with its mysterious *drakospito* (dragon house) — is an alluring destination.

In previous centuries, Karystos and nearby sites in southern Evia were renowned throughout the Mediterranean. Karystian marble of varying hues was quarried in the shadows of Mount Ohi. The Ottomans, who in the 15th century established themselves above what became Karystos's port, quarried not at all; they lived off the local population instead, extracting from it chestnuts and figs, yogurt and meat, grapes, grain and silk. In 1833 the Ottomans peacefully ceded Evia to Greece.

Since then, Karystos has, in a sease, devolved into a sleepy fishing town, which makes it the perfect base for day trips to Byzantine chapels, Kastro Rosso (a Frankish citadel), a Roman aqueduct and other outlying sites. These walks, mapped out on a brochure available at the information booth in the port, also lead to nearby villages and provide a welcome warm-up for hikers about to climb Mount Ohi.

There is a marked trail to Mount Ohi from the town of Myioi, and a refuge for bikers an hour from the peak.

By chance I met Thanasis Biniaris, a grammar-school teacher in nearby Kalivia. He had restored the refuge after it had fallen into disrepair. An exuberant hiker and chronicler of southern Evia, Biniaris supplied me with a topographical map and the key to the refuge.

During the next two days, we walked the *kalerimiri*, or inland stone pathways, around Karystos, uncovering ancient mosaic floors in meadows, passing a Roman aqueduct in an olive grove and visiting ruined Byzantine chapels. At a fourth-century Roman site, the floors of half a dozen ancient houses lay intact. Inland in one mosaic floor was a small, sunken fountain in the shape of an amphitheater, its miniature details a wonder of marble seats and stairways.

CLIMBING THE MOUNTAIN

On the third day I started out alone from Karystos for the refuge and the summit of Mount Ohi, carrying a backpack with a few changes of clothes, food, first-aid supplies and a liter of water (southern Evia's plentiful streams and springs never dry). As a lone female hiker, I felt completely safe. I have trekked alone in far more remote areas of Greece, encountering only kindness and hospitality, and Evia was no exception.

In Myioi, three kilometers (two miles) inland from Karystos, I easily found the sign to the refuge and the trail. After almost three hours, monolithic marble columns came into view, lying on the edge of the mountainside. This was the famous Roman marble quarry, easily imaginable as it was on the day work last ended in the second century A.D.

Above the quarries was the first sign of an ancient *kalerimiri*, which proved at higher altitude to be well preserved. The trail twisted over rock-stubbed fields of wild oregano, thyme and prickly shrubs. An hour and a half later, on a dirt road, the refuge — a long, low white building with steel-shuttered windows and door and a stone terrace — came into sight.

From where the refuge sat, the island rolled away to the Aegean, and above it Mount Ohi beckoned. Ohi derives its euphemistic name from the ancient

Greek verb *ohevo*, to ride, for it is on this peak that Zeus was said to have coupled with Hera. In the clear late-afternoon light, heeding a shepherd's warning that in fog or cloud I wouldn't be able to see my hand in front of my face, I hiked the last steep hour to the summit. Just below it, I found the *drakospito*.

Don Keller, a research associate in archaeology at Boston University who has spent many of 20 summers in southern Evia, told me that the rock used to create the dragon house was quarried about 30 meters from the site. Its name comes from a local folk tale of a dragon that once lived there, and scared off by a sheepdog, flew out through the roof. The structure has been dated as Hellenistic, and though there is disagreement about its use, offering cups for ritual worship have been excavated from under its cornerstones, suggesting that the site was probably dedicated to Hera.

Two massive blocks frame the doorway. The walls are built with carved stones laid flat on top of one another, and the massive roof blocks, which are now partly caved in, are an engineering wonder with no interior supports. The interior is cave-like — there are no carvings or decorations to reveal the mysteries of the dragon house.

In the distance a solitary figure approached, one of five Greek men and women who had hiked to the refuge to spend the night and trek the 10-kilometer-long Dhimosari gorge, about two hours by foot from the refuge. We climbed the last peak above the dragon house to a round stone turret.

A NIGHT AT THE REFUGE Then the Greek hiker and I returned to the refuge, where we joined the others for a dinner of cheese and pasta with canned squid, cooked on a stove in the small kitchen.

The refuge, with its white stucco walls, has a roomy sleeping and dining area. There is a long dining table and benches, and beds to accommodate 10 people below the loft, which can comfortably sleep another four. Though there is little privacy, there are two bathrooms, one with a cold shower, and a kitchen.

I left at dawn the next morning. Below the last ascent to the dragon house I followed the sign pointing to Kallianos and rounded the summit. Farther on, the trail divided and I lost the markings and backtracked, deciding to wait for the others. When I greeted them with the topographical map, they ignored it and plunged down the western side of the summit, which was nothing but scree. After a long, tough descent, we reached a bouldered ravine and stumbled across a dirt road.

Two hundred meters later, a clearly marked trail veered off the road, and I followed it, trekking on ahead of the group. It led steeply downward, and in an hour I met the first waters of the gorge's Dhimosari River, and crossed a bridge, after which the footpath became a *kalerimiri*.

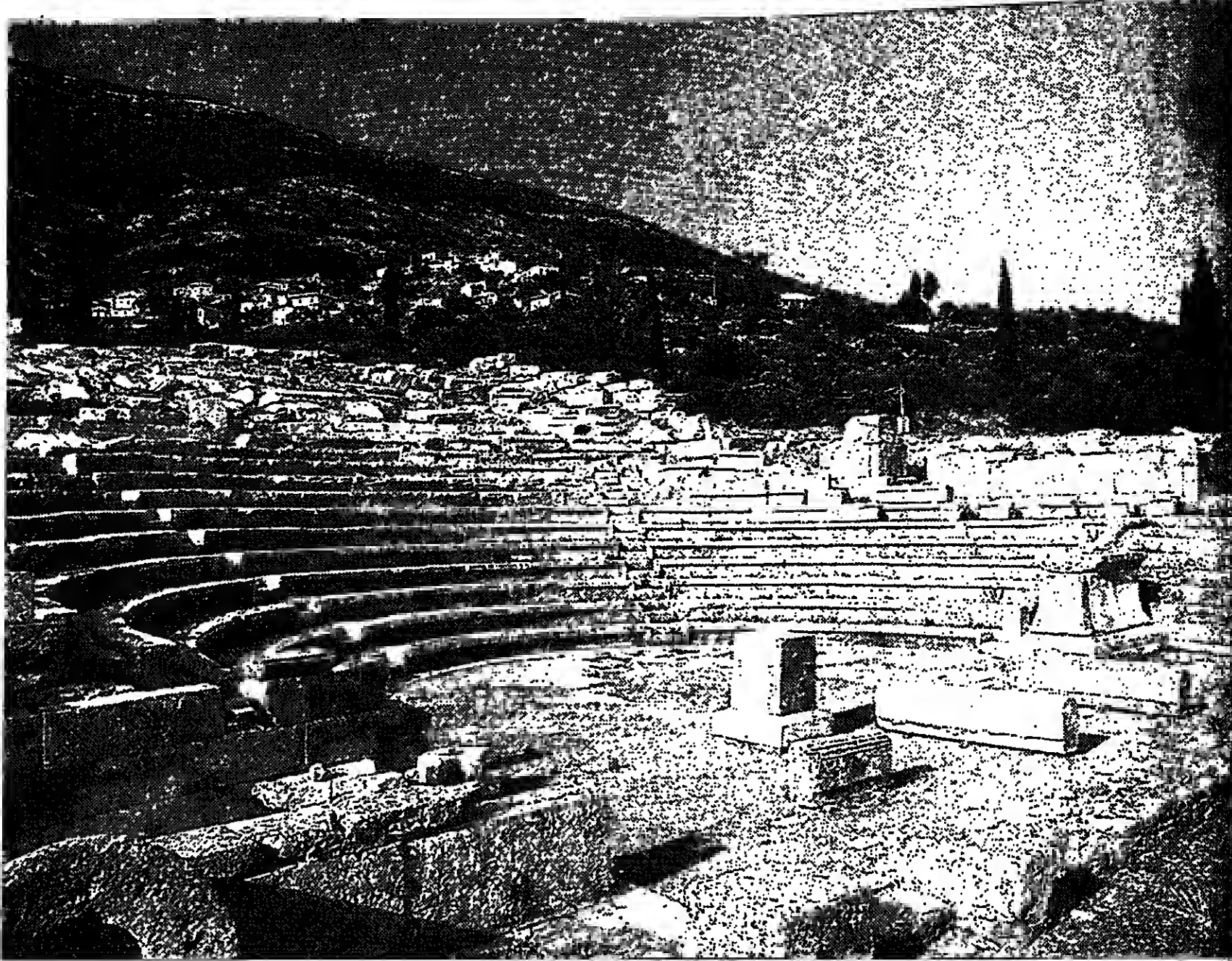
This *kalerimiri* was once the lifeline of the gorge. Now it connects only abandoned villages. Chestnut trees grow in abundance, as do giant ferns, which serve to shade the path with their three-meter fronds. From the bridge to Leonis, the first inhabited village in the gorge, there was not a soul to be seen.

An hour later I stumbled into Kallianos, less a village than a random assembly of houses perched on the hillside above the river. By the time I saw the sign for the Taverna Klimataria, it was almost four o'clock in the afternoon.

The Taverna Klimataria is a family house with a large balcony restaurant; above it a grape arbor shields five rooms for rent. From it you can see the gorge and the sea, a 20-minute walk away. The rooms are simple, with concrete floors and army cots. I took a room for \$10.70, and sprawled across the bed, listening to the voices of the Greek trekkers below as they arrived. Two hours later, they left in a taxi.

I returned to my room after goodbyes, thinking with some reluctance that the next day I, too, would return to Karystos.

Melanie Wallace, who has lived in Greece and visits it often, wrote this for The New York Times.



The amphitheater of Messene, a Hellenistic city built in the fourth century B.C. to protect the region from Spartan attacks.

Wilds of Messenia Conjure Up Glorious Visions of Empires Past

By Sherry Marker

PYLOS, Greece — There is not much Greek countryside I'd call lush, yet that's just the word for Messenia, the southwestern corner of the Peloponnisos.

Messenia's sybaritic pleasures include juicy Kalamata olives and succulent figs and melon, as well as the Peloponnisos's best sand beaches, many flanked by the small hotels and restaurants favored by savvy German and Italian travelers.

They also include the Mycenaean palace of Nestor at Pylos from the 13th century B.C., the Hellenistic city of Messene from the fourth century B.C. and Korone, the companion fortress to Methone.

Messenia, a six-hour drive southwest of Athens, has good roads, and distances between the sites are short. So it is perfectly possible to see all these sites in two vigorous or three leisurely days by car.

When I first visited Messenia 30 years ago, few of its seaside hamlets had even one hotel. Now they have become mini-resorts that cater a bit too wholeheartedly to tourists. For some time now, I have stayed in the harbor town of Pylos, which retains its character with arcaded shops and cafés surrounding the main square.

From Pylos, it is an 18-kilometer (11-mile) drive north to the Palace of Nestor, which Homer says was at "sandy Pylos." Nestor's palace straddles a low ridge called Ano Englianos, with a view back to the deep blues of the Pylos harbor, beyond hills shimmering with the silver leaves of some of the tallest olive trees in Greece. The main palace area is covered with an unabashedly ugly metal roof that protects the site from the elements; it also helps visitors envision the dimensions of the original two-story building from its low remains.

Unlike the compact palace at My-

cenae and Tiryns, Nestor's palace sprawls like a country villa across its unfortified site. It is easy to imagine the day Homer describes when young Telemachus arrived seeking news of his absentee father, Odysseus, still not home from the Trojan War.

Accustomed to his father's more provincial island home in Ithaca, Telemachus must have been dazzled by the frescoed walls showing griffins and lions, fragments of which are now in the Archaeological Museum at Chora, about a mile from the palace. Even though many archaeologists question the accuracy of these heavily restored frescoes (re-created, some would say), I always stop at the museum to see them and to admire the delicate gold cups and jewelry and the enormous pottery jars.

When Telemachus came here, probably he and Nestor would have sat in the Megaron (Throne Room), toasting each other with cups of the local wine beside the raised round hearth. In fact, so many cups have been found in the palace — 2,853 in one room alone — that archaeologists have speculated that the cups were smashed after each toast.

In the archives just to the left of the main entrance, scribes writing on unbaked clay tablets updated palace inventories, listing the hundreds of jars of herb-scented olive oil and kraters of honeyed wine, some of which are still visible in the palace storehouses. When the palace burned to the ground around 1200 B.C. (no one knows why), the intense heat baked the tablets, which lay buried until April 4, 1939, when the American archaeologist Carl Blegen began to excavate here on the suspicion that Nestor's palace might be in the neighborhood.

INTO THE HILLS From Nestor's palace, head away from the sea, deeper into the Messenian hills, to the fourth century B.C. site of Messene at the foot of Mount Ithome. The countryside is so startlingly lush that I find myself day-

dreaming, until I come around a bend in the road and see Messene's gray limestone defense walls, several stretches still standing more than 4.5 meters (15 feet) tall, running for more than one kilometer along a ridge above the remains of the ancient city.

Most travelers to Greece soon become familiar with the experience of arriving at a famous temple, fortress or entire city and trying to conjure up ancient glories from ankle-high remains. Even Nestor's Pylos, were it not for Homer and the tablets, would be very hard to imagine. Not so at Messene, where you can clamber about in several of the defense circuit's 30 original square or semicircular watchtowers and stride through the monumental five-meter-wide Arcadian Gate, with its 20-meter interior courtyard.

As for the ancient city itself, the Asclepeion (a shrine to the healing deity Asclepius) is so enormous that excavators originally thought this one shrine must be the entire market place and civic center.

AFTER lunch I headed off to take in another, even better view. Thanks to a new dirt track, it is arguably possible to creep and lurch almost all the way up Mount Ithome by car, then scramble up the last few yards. From the summit, with its deserted 16th-century whitewashed stone Monastery of Vourkano, there is an astonishing 360-degree view of all Messenia, dotted with villages amid olive groves, and of Taygetus, the jagged range that separates Messenia from Lakonia, the district to the east.

The scene atop Mount Ithome is so peaceful that it's easy to forget the centuries of warfare for the rich land below. The Laconian Spartans were Messenia's greatest enemies, and Messene itself was founded and fortified in 369 B.C. in one of a series of attempts to protect Messenia from Spartan attacks.

The contrast between today's picturesque ruins and yesterday's bloody battlegrounds is particularly stark at the two medieval fortresses once known as Venice's "twin eyes of empire," Korone, on the Gulf of Messenia, and Methone, on the Ionian sea. During the cen-

turies that Venice contested the Frank and Turks for control of the Mediterranean routes, Methone and Korone were vital outposts in an empire stretching from Venice to Constantinople, the Holy Land and the spice routes to the east.

In those days, the towns of Methone and Korone crouched inside their fortifications. Now a small village, Korone, its narrow streets crowded with tile-roofed houses that have delicate wrought-iron balconies, spills down the steep hill that is girdled by the fortress walls. At the foot of the hill, tavernas and cafés line the harbor where merchant ships once anchored and fishing boats now bob. Today's inhabitants of Korone, perhaps following an ancestral instinct to confuse potential invaders, have fearfully reversed several road signs, so that arrows point down to the fortress and up to the harbor.

Unlike Korone, whose steep hill is a natural fortress, the castle of Methone stretches the length of a 300-meter-long low peninsula. Not surprisingly, Methone has a complex system of walls within walls, some linked by underground passages, many crowned by crenellated walls and turrets, all designed to make this very vulnerable knoll invulnerable.

Inside Methone, carved lions of St. Mark watch over the ruins of a Turkish bath and mosque. There are even a few concrete pillboxes left from the Italian and German occupation of World War II, when Methone's strategic location overlooking the sea routes across the Mediterranean made it worth fighting for again.

This is a bleak spot, with none of the charms of Korone's rose garden, convent and harbor. Still, the views over the sea, both from the fortress and from the fine sand beach, especially at sunset, are tremendous. And, for me, sunset is a sure sign that it is time to head to the Klimataria restaurant in Methone, for some of the lightly resinated *rosé* wine that people have been drinking in Messenia at least since Telemachus and Nestor toasted each other.

Sherry Marker, who travels frequently in Greece, wrote this for The New York Times.

THE CAR COLUMN

Skoda Shakes Off Its Communist Veneer

By Gavin Green

CAR makers are now so obsessed by style and sex appeal that one wonders if they really care about the things that matter.

New car shapes are invariably sleek and aerodynamic. That they usually provide insufficient rear bedroom for tall men is apparently of no importance. Car advertisements are all about image and sex appeal.

Yet, at the end of the day, a car is an appliance, which should be conceived as an object of utility rather than one of fashion. Ironically, the most utilitarian cars invariably become the most genuinely fashionable, such as the Citroën 2CV and the Mini — striking examples of great form following great function, not the other way around.

Even Volvo, longtime champion of the sensible shoes approach to motoring, is being corrupted. Its new big car, the S80, does not have a station wagon

version despite the huge sales of the wagon version of its predecessor, the 940. Instead, Volvo sells a smaller turbo-charged wagon with a racing car-like wing on the back. A wagon that puts performance and style over carrying capacity? Go figure it.

Into the spot curiously vacated by Volvo rides Skoda. Skodas are not pretentious cars — for the simple reason that their poor reputation, at least in Western Europe, rules out any attempt at vanity. Yet Skoda, in the shape of its new Octavia, now probably makes the most logical, sensible, rational cars in Europe. They are reliable, comfortable, well made and cheap.

Reputation always lags reality, and the reality now is that Skoda — owned and managed by Volkswagen since 1991 — makes cars as well as anyone else in Europe. Yet the "brand name from hell," as one British marketing magazine termed it, is still lumbered with all the crude, old, low-tech Communist connotations.

The Octavia is the first of the Volkswagen-based Skodas and it is, of course, all the better for that. Whereas the smaller, commendable Felicia is a gawky old-school Skoda now built to VW standards, the Octavia is the full Cecil B. De Mille Volkswagen production.

A VW ON THE INSIDE

It uses a Volkswagen floor pan and suspension (both from the latest Golf). Volkswagen engines, Volkswagen transmissions, Volkswagen electronics and Volkswagen just-about-everything-else. It is a Skoda in name, and a Skoda in country of assembly, only. The former is the reason why Volkswagen can't premium price it. The latter is the reason why VW can afford not to premium price it. Labor rates in Czech Skoda factories are one-eighth what they are in German VW plants.

The ride and handling are fine, even if there is a Golf-like heavy-footedness about its behavior compared with more

nimble French hatchbacks. The trunk is huge, although the back seat is tighter than the class norm — an upshot of using the floor pan and wheelbase of the comparatively small Golf in a car that, from stem to stern, is handsomely larger than the Golf. You can now buy an even bigger trunk, by buying one of the new Octavia Combi — the wagon version. The carrying capacity, in this guise, is extremely large and yet the wagon drives very nearly as well as the normal Octavia hatchback.

About the only other downside is the crummy plastics quality — the only throwback to old school Skodas. These are about to be upgraded.

The Octavia, next month, gets the soft touch, classy-looking "slush" molded dash technique, as used on the Golf and Passat.



It instantly vaults the cabin quality of the Octavia ahead of all major non-VW rivals. And it provides another compelling reason why, if you value logic over emotion, the Octavia is currently the best buy in the mid-sized hatchback market.

• Skoda Octavia. About \$18,000. Five-door hatchback and wagon. Four-cylinder turbo-diesel engine, 1896cc.

90 bhp at 4000 rpm. Gas engines also available. Five-speed manual transmission, front-wheel drive. Maximum speed: 175 kph (110 mph). Acceleration 0-100 kph in 13.5 seconds. Average fuel consumption: 5.1 liters/100km.

Next: the Volvo C70 coupe

Gavin Green is the editor in chief of Car magazine.

LEISURE

End to Currency Hassles For Travelers in Europe

The Euro Will Make Shopping Easier

By Edmund L. Andrews
New York Times Service

FRANKFURT — Here is a pop quiz for bargain-hunters traveling in Europe. A pair of leather loafers from J.P. Tod's costs about 308,000 lire in Rome, 26,500 pesetas in Madrid and 400 marks here in Frankfurt.

Where are the shoes cheapest? The answer requires a calculator, a list of exchange rates and a lot of tenacity. But there is a big difference: At \$176 in Rome, the shoes are about \$50 cheaper than in Frankfurt.

That difference marks just one illustration of how the introduction of a single European currency, the euro, should eventually have a big impact on travelers. In a historic agreement this month, leaders from 11 European nations led by France and Germany agreed to launch the euro as a common currency on Jan. 1 and to abandon the cacophony of marks, francs, guilders and pesetas in 2002.

For travelers, the most tangible changes will not take place until the new bills and coins actually enter circulation three years from the debut of the currency, and the old ones cease to be valid. Until then, the euro will exist only in electronic transactions. Many companies are not planning to even post prices in euros for at least another year or two.

Nevertheless, the euro's impact could become significant well before the new bills and coins arrive. Euros will be usable in credit card and bank transactions from day one. Many hotels, airlines and train companies plan to post prices and accept payments in euros as well as local currencies almost immediately. Stores, restaurants and places of entertainment are expected to convert their systems more gradually.

There shouldn't be any price advantage in using euros rather than a local currency. But as more prices are quoted in euros, comparison shopping between countries should become easier.

Over time, travel experts say, there is likely to be a significant impact on prices themselves. That could be particularly true for tour packages that combine airfare and lodging, where international competition is already intense.

"I am sure that travel as a whole will become cheaper, particularly with regard to holiday packages," said Gerd Hesselmann, president of the German Association of Travel Agencies here. "Travel agencies that offer packages will have lower cost and more

competition, due to the euro, and that will make their products cheaper."

Many big hotel companies are planning a rapid adoption of euro-based prices. Bass Hotels and Resorts, which operates 237 hotels around Europe, including those under the Intercontinental and Holiday Inn names, expects to start quoting prices in euros by June of 1999.

"For us, this is being driven by consumers and by corporate clients," said Luce Boogmans, a spokesman for Bass. He predicted that international travelers will increasingly prefer to pay their bills in euros instead of local currencies, particularly as big corporations convert their own accounting systems to the euro. For travelers, the most concrete changes will come with the debut of the actual coins and bills. Under the schedule established by the European Union, the new money will begin to circulate on Jan. 1, 2002, and the old currencies will cease to be valid on July 1, 2002.

For now, countries that have pledged to adopt the euro are Germany, France, Italy, Belgium, the Netherlands, Luxembourg, Spain, Portugal, Ireland, Austria and Finland. Britain, Sweden and Denmark are staying out of the currency union at least for the next few years, though they are members of the EU and meet the financial requirements for participating.

Greece, also a member of the union, failed to meet the financial requirements but hopes to qualify in another year or two.

THE abolition of 11 separate currencies will save travelers both money and aggravation. For travelers who change dollars to marks, and then marks to francs, currency transactions can eat up 10 percent of the money being changed. That is because of the huge spread between the relatively high price at which dealers will sell a currency and the relatively low price at which they will buy it back.

This spread, which is not obvious to many travelers, comes on top of the normal fee of several dollars that dealers charge for every transaction.

Costs aside, the headaches of dashing through currency zones can be enormous. A French franc is worth about 17 cents, while a Belgian franc is worth only 2 cents, meaning that after the two-hour train ride from Paris to Brussels, the price of a modest lunch changes from 100 French francs to 615 Belgian francs.

What would the price be in euros? We won't know until January.

BOOKS

REMEMBERING MR. SHAWN'S NEW YORKER

The Invisible Art of Editing

By Ved Mehta. Illustrated. 414 pages. \$29.95. Overlook Press.

Reviewed by Christopher Lehmann-Haupt

CONTRADICTORY feelings well up as you read Ved Mehta's new memoir, "Remembering Mr. Shawn's New Yorker: The Invisible Art of Editing."

On one side you feel a nostalgia tinged with envy for the old New Yorker magazine and its system of editing that, thanks to William Shawn (1907-1992), saw the nurturing of writers as its ultimate mission.

On the other side, with the advantage of hindsight, you feel an edge of irritation at Mehta for failing to anticipate the forces that would inevitably obliterate this world.

Mehta's narrative serves to intensify both reactions. To show what a supportive environment The New Yorker once was, he uses himself as a test case, and a more fragile canary would be hard to imagine.

Twice removed from his native India by way of Oxford and Harvard, an academic aspiring to practice popular journalism, blind since the age of 4, he would seem to have been an odd fit even among an assortment of people like A.J. Liebling, Joseph Mitchell and Lillian Ross, all of whom became his good friends.

Still, he was welcomed by the editor in chief, "Mr. Shawn" — to people at The New Yorker, the Mr. was like the Lord in Lord Jim, the author writes — who seems to have made Mehta feel as if he were the first and only writer ever to work for the magazine. "His kindness and generosity," Mehta writes, "made me believe that I was not losing myself to him but, rather, discovering my true self — that,

for once, I was, as it were, speaking not in an Indian-American voice or an English voice but in my own."

Yet for all the sensitivity of their relations, Mehta recounts them with humor, tough-mindedness and a willingness to make light of himself. He portrays many of the vivid characters at The New Yorker, which he calls "in some respects a happy place" but "such a cauldron of acrimony and frustration that even when people agitated for change they didn't like it when it came."

If he is not as comprehensive as Brendan Gill was in "Here at The New Yorker," he sheds far more light on what the magazine was like to work at.

The only flaw in his praise of Shawn is an apparent loss of perspective that leads him to spend far too much space filling in his subject's family background, the most notable details of which are that Shawn's father was an assimilationist Jew who peddled jackknives for a living and that one of his father's brothers helped write the advertising jingle "Double your pleasure, double your fun" for Wrigley's chewing gum.

Perhaps this loss of perspective accounts for why Mehta has such difficulty describing the demise of the old New Yorker objectively. He succeeds in isolating the main causes clearly enough: first, the aging of Peter Fleischmann, who had succeeded his father, Raoul, as publisher in 1969, at the age of 47, when his father died, and who owned the controlling shares of the magazine; and second, the need for Shawn to find his successor as the leader of an operation that had come to depend too overwhelmingly on him alone.

It was Fleischmann's aging that led to the magazine's eventual being sold to S.I. Newhouse Jr. in 1985, and it was Shawn's failure to appoint his successor that led Newhouse to replace him with Robert Gottlieb two years later.

But Mehta fails to identify the larger forces that were bound to wipe out the magazine's delicate culture. Instead he succumbs to pettiness, making it look as if the New Yorker declined in profitability because of Newhouse's taking over, and blaming Gottlieb for installing a coffee machine and thereby changing the office's "monastic atmosphere" and for failing to object to terms like "glitz." "Yiddish word that had been appropriated by the fashion industry and spewed at the old New Yorker."

Only at the end of his book does he concede that "behind what some of us perceived as the tremors and shocks that brought down the old New Yorker" were "large economic and social forces at work, beyond anyone's control, such as the eclipsing of the print medium by new technology, which ultimately made the continuation of our protected life at the magazine merely a dream."

All the same, the story he tells is poignant and affecting. In the end, nothing was left for him except the dream. In 1994, a year or so after Tina Brown replaced Gottlieb as editor, Mehta was "terminated," and "subsequently, when I got a letter from Brown's New Yorker rejecting a pending project, my name was misspelled."

He had met her only once before he left. Curious, he had made an appointment with her by calling her secretary and stopped by her office at the arranged time.

"We exchanged one or two amenities," he reports, "then neither of us could think of anything more to say. Actually, most of our meeting, which couldn't have lasted more than five minutes, was taken up with an embarrassing confusion over which chair I should sit in and which chair I should sit in. Oddly, I ended up sitting in her chair."

New York Times Service

BRIDGE

By Alan Truscott

AT the Cavendish Invitational Pairs Zia Mahmood and Steve Weinstein finished second, behind Bob Hamman and Nick Nickell.

Weinstein is a quiet young man who, with two victories and two runner-up finishes, has the best record of any player in the Cavendish. Steve Weinstein played brilliantly on a difficult game.

The two-diamond bid was a Michaels cue bid, marking West with length in the majors. He led the heart nine, and if East had played the queen, South would have had a problem after taking the ace. Establishing clubs is best, and would have succeeded. But

East ducked in hearts, and South won with the ten and led a diamond to the king. West's discard of a spade was good news and bad news: the dia-

NORTH
♠ K 10 4
♥ J 3
♦ K 8
♣ K J 7 3

WEST
♠ A 7 3 2
♥ K 8 7 4
♦ —
♣ 10 8 6

EAST
♠ Q 5
♥ Q 6 2
♦ Q 10 6 5 3
♣ Q 10 3

SOUTH (D)
♠ 8 6
♥ A 10 5
♦ A J 9 7 4 2
♣ A 5

Both sides were vulnerable. The bidding:
South: 2♦, 3♥, 4♥, 5♥, 6♥, 7♥, 8♥, 9♥, 10♥, 11♥, 12♥, 13♥, 14♥, 15♥, 16♥, 17♥, 18♥, 19♥, 20♥, 21♥, 22♥, 23♥, 24♥, 25♥, 26♥, 27♥, 28♥, 29♥, 30♥, 31♥, 32♥, 33♥, 34♥, 35♥, 36♥, 37♥, 38♥, 39♥, 40♥, 41♥, 42♥, 43♥, 44♥, 45♥, 46♥, 47♥, 48♥, 49♥, 50♥, 51♥, 52♥, 53♥, 54♥, 55♥, 56♥, 57♥, 58♥, 59♥, 60♥, 61♥, 62♥, 63♥, 64♥, 65♥, 66♥, 67♥, 68♥, 69♥, 70♥, 71♥, 72♥, 73♥, 74♥, 75♥, 76♥, 77♥, 78♥, 79♥, 80♥, 81♥, 82♥, 83♥, 84♥, 85♥, 86♥, 87♥, 88♥, 89♥, 90♥, 91♥, 92♥, 93♥, 94♥, 95♥, 96♥, 97♥, 98♥, 99♥, 100♥.

monds were located, but there was no clear way to take more than three tricks in the suit.

The diamond eight was led, and when East played low South won with the nine. It was tempting to finesse the spade ten, but that would have been fatal. East would have won and cleared hearts. Instead, South's play was due to work irrespective of the position of the spade queen. He led that suit and when West played low put up the king. He had foreseen that he could now cut the defenders' communications.

After winning with the king he continued with the spade jack. East won with the queen and led a heart. South ducked and won the next heart lead, reaching the ending shown below.

Now Weinstein unblocked the club ace and led a low diamond. East won and surrendered. He had to give four club tricks to dummy or three diamond tricks and a club to declarer, who made a surprising overtrick.

NORTH
♠ 10
♥ —
♦ —
♣ K J 9 7 2

WEST
♠ A
♥ K 8
♦ —
♣ 8 6 5

EAST
♠ —
♥ —
♦ Q 10 6
♣ Q 10 3

SOUTH
♠ —
♥ —
♦ A 7 4
♣ A 4

FEAR AND LOATHING IN LAS VEGAS

Directed by Terry Gilliam. U.S.

In the teeming lobby of a Las Vegas hotel, the face of a woman behind the reservations desk warps, her features spilling across her face like a clown mask. As the camera pans around the plush, dimly lit room crowded with hard-shelled tourists sipping cocktails, they suddenly turn into a sinister convention of lizards smacking their lips and casting conspiratorial glances. Conversations decompose into animalistic growls while the bland piped-in voice of Robert Goulet singing "My Love Forgive Me" remains eerily unaltered. This scene, drawn from one of many uproarious tableaux in "Fear and Loathing in Las Vegas," Hunter S. Thompson's brilliant, ranting explosion of verbal psychedelia, has been transferred to the screen by Terry Gilliam with a fidelity to the author's hallucinatory imagery that until now seemed impossible to capture in a film. But here it is in all its splendidous fun-house terror: the closest sensory approximation of an acid trip ever achieved by a mainstream movie and the latest example of Gilliam's visual bravura. Why then should this gaudy splat of a movie, which is so scrupulously respectful of its source, convey so little visceral energy that when it's over you may feel like shrugging your shoulders? The story of how Raoul (Johnny Depp) and his sidekick (Benicio Del Toro) travel to Las Vegas to cover a motorbike

race for Sports Illustrated and get phantasmagorically sidetracked has been so rigidly compressed that its vignettes all bleed together into an overstuffed cinematic hodgepodge that adds up to far less than the sum of its parts. Yes, the details are accurate. But where the book conveyed a spirit of open-ended adventure in which each new caper could be spun out into its own little movie, the film really has no attitude at all and rarely gives the book's appealingly funny anecdotes room to breathe.

(Stephen Holden, NYT)

QUEST FOR CAMELOT

Directed by Frederik Du Chau. U.S.

The first feature-length, fully animated film from the Warner Bros. studio is a quasi-feminist Arthurian adventure about a young woman who wants to become a knight of the Round Table. It is also, unfortunately, a derivative rip-off. Here's just a partial list of the films that it blatantly steals from (excuse me, pays homage to): "Star Wars," not just by the "sampling" of its musical theme but by imitating the visual composition of certain scenes; "Apollo 13" and the "Dirty Harry" series, in plays on the catch phrases "Houston, we've got a problem" and "Feel lucky, punk?"; "The Rocky Horror Picture Show," in the look of "Quest's" arch-villain Sir Ruber (voiced by Gary Oldman), who resembles a pumped-up version of Riff Raff from the cult classic, and "Aladdin," whose motor-



L.L. Cool J., left, and Tommy Davidson in "Woo."

mouthed, pop culture-riffing Genie (Robin Williams) is here replaced by Devon Cornwall, a two-headed dragon (Eric Idle and Don Rickles). Kids, of course, will care about none of that. What they might care about is the flat-footed humor and hard-to-follow plot. The thudding, vaguely Celtic synth-rock of the songs (by David Foster and Carole Bayer Sager) drowns out many of the lyrics, which would normally help to advance the story and illuminate character. And the sporadic jokes, such as they are, come across as geared more to adults than wee ones. Technically, the film has a murky look and a hollow sound — if you close your eyes you can practically see the studio booth that the voices were recorded in. And one scene, featuring an obviously computer-generated ogre, is utterly out of sync

with the style of the rest of the traditional cel-animated work. These are all pertinent, grown-up quibbles. How it will go over with kids remains to be seen, but the success of Warner Bros.' calculated exploitation of previous money makers can perhaps best be summed up by this assessment shouted out during a recent screening by one small reviewer: "Look, Mommy! Action figures!" (Michael O'Sullivan, WP)

WOO

Directed by Daisy V.S. Mayer. U.S.

With her blazing smile and insolent swivel, Jada Pinkett Smith radiates as much crackling charisma per centimeter as any young Hollywood star. But the energy and sass that have spiced up movies like "The Nutty Professor" and "Set It Off" are recklessly squandered in "Woo," an in-

coherent romantic comedy whose sexy title character (Smith) is an unbearable, unfunny pain in the neck. Fixed up on a blind date with a handsome but nerdy legal secretary named Tim (Tommy Davidson), Woo is a nasty teasing bundle of free-floating hostility who uses sex as a weapon and gleefully humiliates her date just for the fun of it. Woo has agreed to go out with Tim because her gender-bending astrologer, Celestial (Girlna), has told her that tonight is the night she will meet her true love. Dressed to kill, Woo immediately accuses Tim of being interested in only one thing. When he dutifully agrees to treat her as a sister instead of a potential conquest, she aggressively seduces him only to lash out at him the moment his pants are down. At the fancy Italian restaurant to which he squires her, Woo ostentatiously speaks Italian to the waiter and disrupts the atmosphere by screaming hysterically out the window at a friend. After loudly complaining about the seating, she nags on a rope that pulls down a chandelier whose lighted candles set the place on fire. The pair go on to experience a hellish evening of partygoing, brawling and car theft. At the end of which Woo finally lowers her defenses and begins to act like a human being. "Woo" wants to be a wacky, witty urban farce, but it's so scatterbrained that one scene barely connects to another, and its jokes are dead on arrival. Unfortunately, this is a sour, inept little comedy. (Stephen Holden, NYT)

ARTS GUIDE

BELGIUM

BRUSSELS
Musée d'Art Ancien, tel: (2) 508-3211, closed Mondays. Continuing/To June 28: "Rene Magritte," 200 paintings, gouaches, drawings and objects by the Belgian Surrealist (1898-1967).

BRITAIN

LONDON
Barbican Art Gallery, tel: (171) 588-9023, open daily. To Aug. 16: "The Warhol Look/Glamour Style Fashion," Style and fashion mingling with fine art and film through War-

hol's life and work. The exhibition features paintings, clothing, photographs and film, as well as creations by other artists and designers such as Jean-Michel Basquiat, David Bailey and Gianni Versace. European Academy of Academic Art, tel: (171) 225-05-03, open daily. To June 7: "The Treasures of Hera: Greek Antiquities Discovered in Southern Italy." Approximately 150 vase offerings dedicated to the goddess Hera. The objects, excavated in Calabria in 1987, can be dated from 700 to 500 B.C. Tate Gallery, tel: (171) 887-8000, open daily. To Sept. 20: "Warhol and Beuys: Loans From the Froehlich Collection." Focuses on the way Andy Warhol and Joseph Beuys rethought the relationship between the artist and society; Beuys (1921-1986) often used found objects and ordinary materials to emphasize the connection between art and life; Warhol (1928-1987) drew on advertising and mass iconography to reflect the tensions in American society. www.tate.org.uk

FRANCE

PARIS
Musée du Louvre, tel: 01-40-20-51-51, closed Tuesdays. To June 29: "Francesco Salviati ou la Bella Maniera." Paintings, miniatures, frescoes that are interpretations of bella maniera, of the affectation of style, by the Florentine Mannerist (1510-1563).

GERMANY

DARMSTADT
Kunststiftung, tel: (6151) 89-11-24, closed Mondays. To July 12: "William Nicholson: Das Graphische Werk, 1895-1905." More than 250 drawings, woodcuts, posters and book illustrations by the British artist (1872-1949). They portray London characters and European celebrities, illustrate the alphabet and depict sports activities. It also features posters created by Nicholson and his brother-in-law under the alias J. and W. Beggartstiff.

NETHERLANDS

AMSTERDAM
Rijksmuseum, tel: (20) 673-21-21, open daily. To July 12: "Drawings From the Golden Age." About 100 works by van Goyen, Steenredam and Averkamp, among others, document the art of drawing in the Netherlands in the first half of the 17th century.

SPAIN

MADRID
Museo Nacional de Arte Reina Sofia, tel: (1) 467-50-62, closed Tuesdays. To June 8: "Ronald B. Kief." Paintings and works on paper by the American figurative artist (born 1932). Politics, history, including German anti-Semitism, and his own private life are recurrent themes.

SWITZERLAND

BASEL
Fondation Beyeler, tel: (61) 645-9719, open daily. To Sept. 27: "Roy Lichtenstein." A retrospective of works by the American artist (1923-1997). The 60 works encompass the years 1960 to 1990, taking banal, everyday subjects as their inspiration. www.beyeler.com

GENEVA
Musée Barbier-Mueller, tel: (22) 312-02-70, open daily. To Sept. 15: "Picasso l'Africain." Some of Picasso's paintings and sculptures show similarities to tribal artworks. They are paralleled here with items from the African and Oceanian collection of the museum.

UNITED STATES

NEW YORK
Morgan Library, tel: (212) 685-00-08, closed Mondays. To Aug. 30: "A.K.A. Lewis Carroll." With early



Roy Lichtenstein's 1978 "Stepping Out," in Basel.

editions of his children's books, pamphlets on mathematics and logic, and personal items, the exhibition examines the range of Carroll's achievements.

WASHINGTON
National Museum of American Art, tel: (202) 633-8998, open daily. To Sept. 7: "Stuart Davis."

More than 50 paintings by the American painter (1894-1964). They include gritty urban scenes in the manner of the Ashcan school, cubist experiments. Paria views and the large color abstractions of his mature years.

www.nma.si.edu
National Gallery of Art, tel: (202) 737-4215, open daily. Continu-

ing/To July 12: "Degas at the Races." Features 40 paintings and pastels, 60 drawings and 20 sculptures that reflect Degas's fascination with horses and the racetrack. www.nga.gov

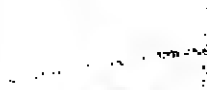
CLOSING SOON

May 31: "Harry Moore and the National Gallery," National Gallery, London.
May 31: "August Macke, 1867-1914," Museo Thyssen-Bornemisza, Madrid.
May 31: "1848: La République et l'Art Vivant," Musée d'Orsay, Paris.
May 31: "Panamarenko," "Francisco Woodman" and "Gerard Deschamps: Homo Accessorius," Fondation Cartier pour l'Art Contemporain, Paris.
May 31: "Egon Schiele: The Leopold Collection," Museo Picasso, Barcelona.
May 31: "Nalartart: Light of Egypt," Museo Archeologico, Venice.
May 31: "Monet: Late Paintings of Giverny From the Museo Marmottan," Walters Gallery, Baltimore.
May 31: "Recognizing Van Eyck," Museum of Art, Philadelphia.
June 1: "Le Sentiment de la Montagne," Musée de Grenoble, France.
June 1: "Stemstunden: Kunstwerke aus zwei Jahrtausenden" and "Paul Gauguin: Tahiti," Staatsgalerie, Stuttgart.
June 1: "Francis Picabia: Das Spätwerk, 1933-1953," Boymans-van Beuningen Museum, Rotterdam.
June 1: "Pontilino: Sur les Traces de Seurat," Fondation de l'Hermitage, Lausanne, Switzerland.
June 1: "Esteban Vicente: Obras de 1950-1998," Museo Nacional de Arte Reina Sofia, Madrid.
June 1: "Diego Rivera at Frida Kahlo," Fondation Pierre Gilard, Martigny, Switzerland.

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U.S. Grows At Annual 4.8% Rate

But Inventories Mount, Reflecting Asian Imports

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. economy grew at a 4.8 percent annual rate in the first quarter, a faster pace than previously estimated, as inventories piled up at a record rate, in part reflecting the availability of cheap imports from Asia.

Exports and corporate profits weakened, pointing to slower growth down the road.

The seasonally adjusted first-quarter increase in the gross domestic product — the total value of all goods and services produced within U.S. borders — was even better than last month's advance estimate of a 4.2 percent rate, the Commerce Department said Thursday.

Separately, the department said orders to factories for high-ticket durable goods shot up 2.6 percent in April, the highest gain in five months.

Civilian aircraft orders surged 41 percent and orders for military goods — mostly aircraft — jumped 52 percent. Excluding those two volatile sectors, orders slipped 0.2 percent.

Also, the Labor Department said the number of applications for unemployment benefits declined by 2,000 last week to 312,000, a level signaling strong demand for labor.

The chief reason for the GDP revision was a record increase in the inventories of unsold goods held on shelves and backlogs. Without it, the economy would have grown at a 3.4 percent rate during the quarter, robust but not torrid.

The inventory increase could be a sign of trouble for the current quarter and beyond, particularly if consumer spending moderates from the first quarter's red-hot 6.1 percent rate, the steepest in six years, and imports of foreign goods continue their rapid advance. It would mean factories would need to curb production while inventories were sold off.

Though Asia's financial crisis helped boost the U.S. economy by bringing long-term interest rates down, it has hurt by damping U.S. exports to the region and encouraging a flood of cheap Asian imports.



Thousands of clients of Bank Central Asia in Jakarta lining up on Thursday to withdraw their savings.

MCI to Sell Internet Business to C&W

Bloomberg News

WASHINGTON — MCI Communications Corp. said Thursday it would sell its Internet network to Cable & Wireless PLC for \$625 million in cash, in an effort to win approval for WorldCom Inc.'s \$41.8 billion purchase of MCI.

The No. 2 U.S. long-distance phone company said it was shedding operations that carry traffic for other companies that provide Internet services, including the routers and switches that direct Internet traffic.

MCI's consumer and business customers will still get their Internet service from the company, although the traffic will be carried on Cable & Wireless' network.

Regulators have not said whether the sale will appease their concerns that MCI and WorldCom, the No. 4 U.S. long-distance phone company, might dominate the fast-growing global Internet market. Still, analysts and telecommunications lawyers predicted approval from U.S. and European authorities.

"This was the stumbling block," said Garrett Rasmussen, an antitrust lawyer in Washington. "If this can be

Jakarta Bank's Saga Signals System's Woes

Government Takes Over Embattled BCA

By Michael Richardson
International Herald Tribune

JAKARTA — Even before Indonesian authorities announced Thursday that they were assuming control of Bank Central Asia, Bibin Kosasih had decided that he could not risk leaving his money there any longer.

As the run on the large private bank entered its eleventh day, Mr. Kosasih, who owns a small travel agency, joined the crowd of panicky customers trying to withdraw their business capital or personal savings from his headquarters.

Until recently, the gleaming office tower on Jakarta's main thoroughfare, Sudirman Road, had seemed to be a rock-solid symbol of wealth and power in Indonesia.

But now that symbolism has been turned on its head, like many other icons of wealth in Indonesia's capital, the bank now stands as a mark of the nation's vulnerability and of a banking system that Moody's Investors Service Inc. this week called "broadly insolvent."

The troubles of Bank Central Asia, known by its initials as BCA, reflect a deeper problem in the world's fourth most populous nation, analysts say: a crisis of confidence in existing institutions that threatens to undermine the whole financial system.

BCA, one of the country's largest private banks, is 30 percent owned by two of former President Suharto's children. The rest of its equity is held by the Salim Group, which is controlled by Liem Sioe Liong, an ethnic Chinese Indonesian who is one of Mr. Suharto's oldest friends and business partners.

The Salim Group's vast network of food, cement, trading, transport and financial-services companies grew and prospered under Mr. Suharto's 32-year rule, making Mr. Liem the richest businessman and biggest taxpayer in Indonesia.

Now that Mr. Suharto has been forced out of office, and the administration of his successor, President B.J. Habibie, says it is cracking down on those alleged to have benefited from the nepotism and close ties between government and big business under the old order, many Indonesians like Mr. Kosasih are fearful that BCA could be forced out of business.

See BANKS, Page 17

WALL STREET WATCH

Rivals Chip Away at Intel's Dominance

By Gretchen Morgenson
New York Times Service

NEW YORK — Immortal. Beloved. That's how investors see Intel Corp., the world's premier maker of microprocessors, the guts that run computers.

Even though the stock has fallen 21 percent from its February high, Intel has remained one of the most widely held and deeply loved stocks in America. For many investors, Intel is not just a stock, it is a religion.

This reverence is not without reason. Intel dominates the chip business: Its microprocessors power 85 percent to 90 percent of the world's computers.

The company, based in Santa Clara, California, has generated average annual earnings increases of 42 percent over the last five years. Its sales have risen 34 percent annually during that period to \$25 billion last year.

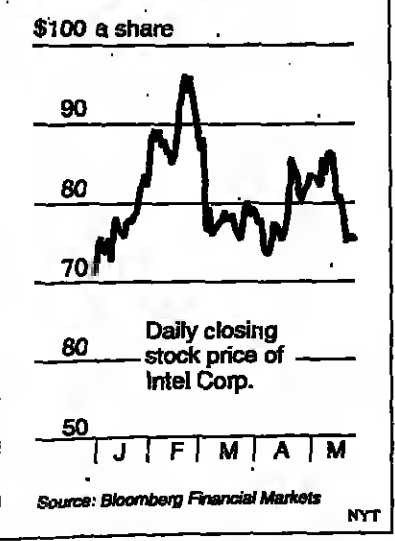
Profitability has also been immense: In 1997, net profit margins were almost 28 percent, compared with 13 percent for the semiconductor industry.

But Intel's industry dominance has attracted the scrutiny of the Federal Trade Commission, which is expected to vote Friday to move forward with an antitrust lawsuit a week or 10 days later.

At question is whether the company has abused its position as the monopoly producer of chips for personal computers and whether it has bullied some computer makers, according to lawyers familiar with the suit.

Losing Speed

Investor concerns about slowing sales and other problems have deflated Intel's stock recently.



What impact would an antitrust action have on Intel's business? Not much initially. But over the longer term, being embroiled in a battle with the government could take its toll. Intel could suffer tremendously if the government's suit resulted in, say, guidelines on the company's technological advance-

ments. "The industry changes so fast that to be under any constraint about what the technology could migrate to would be a nightmare," said Scott Randall, who tracks semiconductor stocks and is a principal of Soundview Financial Group.

The job of steering Intel falls to Craig Barrett, who took over the chief executive's post from the longtime leader, Andrew Grove, last week.

Even without pressure from the Federal Trade Commission, Intel was facing much stronger headwinds than it had only two years ago. Circumstances beyond Intel's control — a sharp drop in demand for personal computers, turmoil in Asian economies, a sharp increase in competition from other chipmakers — pose serious threats to the company's hegemony and its shares.

"Intel has lost control of its market," said William Milton, semiconductor analyst at Brown Brothers Harriman & Co.

Adding to the anxiety surrounding the company: Some Intel insiders seem to be losing faith in their company's stock. During the last six months, insider selling has picked up.

Intel stock, which fell 81.25 cents Thursday to close at \$73.50, is well off its recent high of \$94.19. But at more than 23 times expected 1998 earnings of \$3.15 a share, the stock is not cheap, especially since revenue, flat for the

See STOCK, Page 14

CURRENCY & INTEREST RATES

Cross Rates									
	U.S.	DM	FF	Yen	GBP	HK\$	S\$	NT\$	Others
American	1.0000	1.6363	6.5596	106.46	0.7063	7.7936	133.34	36.36	
British	0.6250	1.0000	4.0333	154.93	1.0000	11.5361	193.60	50.48	
French	0.1515	0.2475	1.0000	166.63	0.1473	1.6667	246.36	63.33	
German	0.6191	1.0000	6.5596	136.76	0.6376	7.4626	121.48	31.76	
Italian	0.1366	0.2236	1.0000	193.60	0.1366	1.5873	236.37	60.94	
Japanese	0.0094	0.0154	0.0250	1.0000	0.0090	0.1064	16.08	4.17	
Spanish	0.1667	0.2747	1.0000	166.63	0.1667	1.9231	286.56	73.33	
Swiss	0.7500	1.2000	4.7534	145.48	0.7500	8.7500	135.00	35.00	
Thai	0.0248	0.0413	0.0676	1.0000	0.0243	0.2913	43.80	11.25	
Turkish	0.0004	0.0007	0.0011	1.0000	0.0004	0.0048	0.72	0.18	
U.S. Dollar	1.0000	1.6363	6.5596	106.46	0.7063	7.7936	133.34	36.36	
Yen	0.0094	0.0154	0.0250	1.0000	0.0090	0.1064	16.08	4.17	
Others									

Libor-Libor Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
1-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
6-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
9-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
12-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
18-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
24-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
36-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
48-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Key Money Rates									
	Today	Prev	Today	Prev	Today	Prev	Today	Prev	Today
Discount rate	5.00	5.00	Bank base rate	7.75	7.75				
Prime rate	8.75	8.75	Call money	7.75	7.75				
Federal funds	5.50	5.50	1-month interbank	7.75	7.75				
90-day CD (bank)	5.42	5.42	3-month interbank	7.75	7.75				
180-day CD (bank)	5.42	5.42	6-month interbank	7.75	7.75				
3-month T-bill	5.00	5.00	9-month interbank	7.75	7.75				
1-year T-bill	5.14	5.14	12-month interbank	7.75	7.75				
2-year T-bill	5.29	5.29	18-month interbank	7.75	7.75				
3-year T-bill	5.44	5.44	24-month interbank	7.75	7.75				
5-year T-bill	5.56	5.56	36-month interbank	7.75	7.75				
10-year T-bill	5.67	5.67	48-month interbank	7.75	7.75				
30-year T-bill	5.84	5.84	60-month interbank	7.75	7.75				

Other Dollar Values									
	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Australian	0.6999	Australian dollar	0.6999	Australian dollar	0.6999	Australian dollar	0.6999	Australian dollar	0.6999
Canadian	0.7100	Canadian dollar	0.7100	Canadian dollar	0.7100	Canadian dollar	0.7100	Canadian dollar	0.7100
French	6.5596	French franc	6.5596	French franc	6.5596	French franc	6.5596	French franc	6.5596
German	1.6363	German mark	1.6363	German mark	1.6363	German mark	1.6363	German mark	1.6363
Italian	1.9360	Italian lira	1.9360	Italian lira	1.9360	Italian lira	1.9360	Italian lira	1.9360
Japanese	106.46	Japanese yen	106.46	Japanese yen	106.46	Japanese yen	106.46	Japanese yen	106.46
Spanish	166.63	Spanish peseta	166.63	Spanish peseta	166.63	Spanish peseta	166.63	Spanish peseta	166.63
Swiss	0.7500	Swiss franc	0.7500	Swiss franc	0.7500	Swiss franc	0.7500	Swiss franc	0.7500
Thai	43.80	Thai baht	43.80	Thai baht	43.80	Thai baht	43.80	Thai baht	43.80
Turkish	16.08	Turkish lira	16.08	Turkish lira	16.08	Turkish lira	16.08	Turkish lira	16.08
U.S. Dollar	1.0000	U.S. dollar	1.0000	U.S. dollar	1.0000	U.S. dollar	1.0000	U.S. dollar	1.0000
Yen	0.0094	Japanese yen	0.0094	Japanese yen	0.0094	Japanese yen	0.0094	Japanese yen	0.0094
Others									

Forward Rates									
	30-day	60-day	90-day	180-day	360-day	540-day	720-day	900-day	1080-day
American	1.6363	1.6363	1.6363	1.6363	1.6363	1.6363	1.6363	1.6363	1.6363
British	0.6250	0.6250	0.6250	0.6250	0.6250	0.6250	0.6250	0.6250	0.6250
French	0.1515	0.1515	0.1515	0.1515	0.1515	0.1515	0.1515	0.1515	0.1515
German	0.6191	0.6191	0.6191	0.6191	0.6191	0.6191	0.6191	0.6191	0.6191
Italian	0.1366	0.1366	0.1366	0.1366	0.1366	0.1366	0.1366	0.1366	0.1366
Japanese	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094
Spanish	0.1667	0.1667	0.1667	0.1667	0.1667	0.1667	0.1667	0.1667	0.1667
Swiss	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
Thai	0.0248	0.0248	0.0248	0.0248	0.0248	0.0248	0.0248	0.0248	0.0248
Turkish	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004
U.S. Dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Yen	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094
Others									

THE BEST OF THE EURO

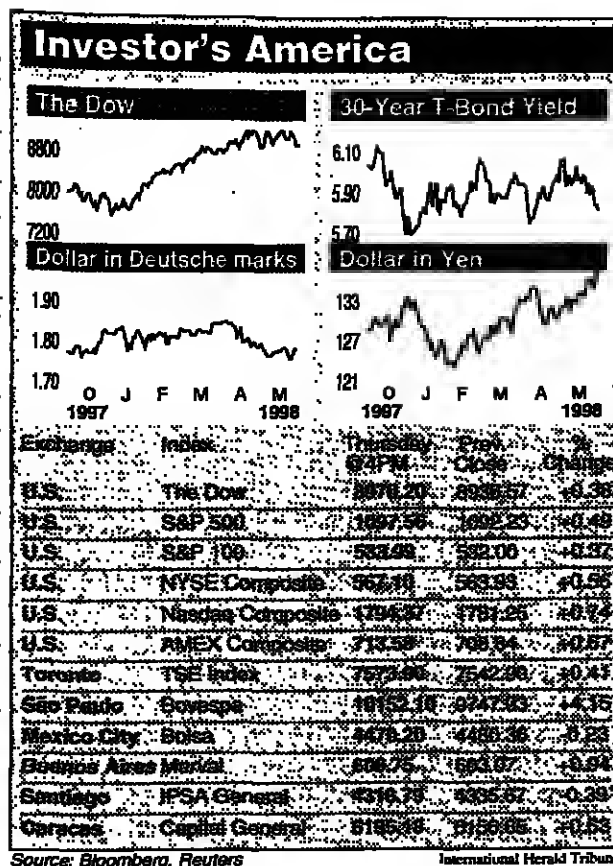
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THE AMERICAS



Very briefly:

- America Online Inc. agreed to pay \$2.6 million to 44 U.S. states to settle allegations that the No. 1 on-line service misled consumers about fees and phone rates. The settlement averts a possible lawsuit.
- SBC Communications Inc.'s takeover of Southern New England Telecommunications Corp. came under attack as Attorney General Richard Blumenthal asked Connecticut regulators to block it, saying the companies had failed to specify whether and how customers' rates will be reduced.
- Eli Lilly & Co. will buy back up to \$2 billion worth of its stock. The drugmaker also said it expected per-share earnings to increase by 20 percent this year.
- Seagram Co. sold its remaining stake in Time Warner Inc. for more than \$900 million, ending a forged before Seagram entered the entertainment business on its own.
- Sega Enterprises Ltd.'s U.S. video-game unit said it would spend \$100 million in North America to promote its Dreamcast video-game console even though it is more than a year from release.
- Choice Hotels International Inc. is embarking on a \$100 million expansion effort in Latin America to serve business travelers who need moderately priced hotels that offer technological amenities. (AP, Bloomberg)

Health-Plan Giants to Join Forces

MINNEAPOLIS — United HealthCare Corp. said Thursday it would buy Humana Inc. for about \$6.3 billion in stock and assumed debt, creating one of the largest American health-plan operators, with \$27 billion in revenue.

Humana shareholders will get one United Health share for every two shares they hold, valuing Humana at \$32.06 a share based on the Wednesday closing price, a 22 percent premium. United will also assume \$850 million in debt.

Asia Crisis Lifts Dollar Against Yen

NEW YORK — The dollar surged against the yen Thursday, buoyed by further signs of turbulence in Asian financial markets and the lack of central-bank intervention, traders said.

"There seems to be a general heightened level of uncertainty around the world," said Hilbert Waxman, manager of foreign exchange at Bank Leumi Trust Co., who sold yen and Deutsche marks for dollars.

Benjamin Strauss, senior foreign exchange dealer at Bank Leumi

FOREIGN EXCHANGE

Baer, concurred, adding that while the Bank of Japan did not seem to be engaging in "verbal intervention," or talking up the yen, "one always has to be vigilant."

"The silence could be a precursor to intervention," he said.

The yen was further pummeled Thursday by nervousness in the wake of fresh rioting in Indonesia, the first since President Suharto resigned last week. The rupiah plunged nearly 9 percent, battered in part by market rumors of bank failures and coup plots.

Market jitters about Japan's troubled banking system also continue to haunt the yen after Moody's downgraded Japan's credit rating to Baa1, down from Aaa, by ratings agency Moody's.

The dollar was quoted at 4 P.M. at 138.75 yen in late trading, up from 137.37 yen on Wednesday.

The dollar slipped against the mark as market worries about a further financial meltdown in Russia eased amid hopes the International Monetary Fund may soon come forward with needed aid for the country.

The dollar was quoted at 1.7810 DM, down from 1.7835 DM on Wednesday.

The pound was weaker, battered by a report from the Confederation of British Industry showing that British manufacturers continue to be plagued by sterling's strength. The report showed that export orders have slumped to their lowest level since January 1993. The pound was quoted at \$1.6280, down from \$1.6310 on Wednesday.

Against other major currencies, the dollar was at 5.9710 French francs, compared to 5.9800 francs, and at 1.4545 Swiss francs, compared to 1.4735 francs.

Analysts are notoriously upbeat, of course, and their optimism grows even rosier the further out their estimates go.

What most Wall Street analysts do not want to talk about is how much Intel's world has changed. Gone are the days when the company had virtually no competition.

Advanced Micro Devices Inc. is producing a chip called the K-6 that in many measurements matches the speed of Intel's Pentium chips — but costs 25 percent less. National Semiconductor Corp.'s Cyrix chips — the higher-priced Media GX and lower-priced MII — are winning converts.

Computer manufacturers that once used only Intel chips are moving to other suppliers.

Compaq Computer Corp., the world's largest computer maker, and International Business Machines Corp., the No. 2, are using AMD chips as well as those from Cyrix. IBM is making its own chips and chips for Advanced Micro to compete with Intel, too.

Packard Bell-NEC Inc., the world's fifth-largest producer of personal computers, announced last week that it was ending its exclusive use of Intel chips in its machines. Its

Shares Rise as Wall Street Regains Footing

NEW YORK — Stocks rose modestly Thursday, extending a powerful rebound that helped steady markets around the world after a steep sell-off on Wednesday.

The Dow Jones industrial average rose 33.63 points to close at 8,970.20 after erasing an early 35-point deficit. Advancing issues outnumbered declining ones by nearly 2-to-1 ratio on the New York Stock Exchange, where volume was down sharply from the previous day.

On Wednesday, the Dow briefly slid to its lowest level in two months, but finished just 27 points lower after wiping out most of a 175-point plunge triggered by the latest wave of panicky selling on Asian markets.

Most broad-market indexes also recovered from an early stumble. The Standard & Poor's 500-stock index rose 5.37 points to close at 1,097.60, and the technology-heavy Nasdaq composite index rose 13.27 points to close at 1,794.37.

Investors were taking the opportunity to buy stocks that have declined in recent weeks. Goodyear Tire & Rubber, down 10 percent since March 31, was among the biggest gainers Thursday.

"There's been a correction in

from its April 15 record; the shares were up 3 1/2 on Thursday, at 60 1/2."

"A lot of stocks are cheaper than they were just a few weeks ago," said James Tillar, a market strategist and money manager at Dean Investment Associates, which invests \$4.4 billion.

Dean has been buying Thermo Electron, a maker of medical and industrial equipment that is down 21 percent this year.

Computer-related stocks and financial issues were among the strongest performers, while oil services and drug stocks were slightly lower. Leading the Dow's rise, Goodyear was up 1 1/2 at 68 1/2, and Sears was up 1 1/2 at 61 1/2.

In technology, software companies were among the weakest. Com-

puter Associates was down 1/2 at 53 1/2, Microsoft was down 1/2 at 85 1/2, and Oracle was down 1/2 at 23 1/2.

Banking-related issues were slightly lower with Chase Manhattan down 1 1/2 at 135 1/2, Wells Fargo down 1/2 at 64, and J.P. Morgan down 1/2 at 125 1/2.

Drug stocks continued to surrender their gains. Pfizer was down 1 1/2 at 106 1/2, Eli Lilly was down 1 1/2 at 63 1/2, and Warner-Lambert was down 1 1/2 at 65 1/2.

Oil drillers fell, with Schlumberger down 1 1/2 at 75 3/4, Halliburton down 1 1/2 at 47 1/2, and Transocean down 1 1/2 at 47 1/2.

Airlines retreated after a rebound earlier this week. Delta was down 1 1/2 at 113 1/2, AMR Corp., parent company of American Airlines, was down 1 1/2 at 149 1/2, and UAL Corp., parent company of United Airlines, was down 1 1/2 at 79 1/2.

Retailers gained. Home Depot rose 2 1/2 at 76 1/2, the company, a retailer of building materials and home-improvement products, announced a 2-for-1 stock split Wednesday.

The Thursday rally reflected the fact that investors saw U.S. stocks as

Global Sell-off Lures Bargain Hunters

many issues, and that's attracting buyers," said George Mairs, who oversees \$1 billion as president of Mairs & Power Inc. He bought shares of Emerson Electric, which designs and manufactures a variety of electrical equipment and products. Emerson is off 10 percent

U.S. STOCKS

from its April 15 record; the shares were up 3 1/2 on Thursday, at 60 1/2.

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EUROPE

Eurochocolate? Recipe Is Ready

Bloomberg News

AMSTERDAM — Dutch cocoa processors said Thursday they had dropped their objection to European Union proposals that would create a common standard for making chocolate across the \$42 billion European confectionery market.

The Spanish government reversed its position Wednesday and said it would back the proposal that would allow the use of up to 5 percent non-cocoa fats in chocolate.

The support of either nation will likely be enough to allow preliminary approval of the proposal to standardize chocolate recipes when negotiators meet Friday to discuss the 25-year-old dispute.

U.S. Fights EU Efforts to Ban PVC Toys

By James Gershenzang
Los Angeles Times Service

WASHINGTON — The Clinton administration, acting at the behest of Mattel Inc. and other toy companies, is lobbying against European efforts to ban controversial chemical compounds from teething rings and other toys for young children.

With the European Union nearing a decision on whether to prohibit the sale of toys made with polyvinyl chloride, or PVC, the Commerce Department has instructed U.S. diplomats to try to turn around several such bans already in effect.

The toy companies are concerned about the potential ban because of the eventual negative impact it could have on their sales in the United States — as well as the immediate impact it could have on

their sales in Europe.

A decision by the 15-nation EU could come as early as next week.

At issue are compounds known as phthalates. They are softening compounds that provide a spongy, chewy feel when added to plastics. They also help plastics absorb the reds and yellows and other bright colors that children find appealing.

Among the compounds that would be banned is one that has been voluntarily left out of U.S. products for 13 years. But other compounds being targeted by the EU are key components of toys and other plastic products made and sold in the United States.

At least one Danish study has suggested that some phthalates, which are used not only in toys but in the strong plastic bags that contain intravenously delivered medica-

tions and blood, may cause cancer, disrupt endocrine function or weaken immune systems. Other studies have raised similar concerns and suggested they may also cause liver and kidney damage and disruptions in reproduction. But the studies were conducted only on animals, and it is unclear what impact, if any, the chemicals have on people.

David Miller, president of the Toy Manufacturers of America, which represents the makers and importers of 85 percent of the toys sold in the United States — 20 percent of which are made of vinyl — said no study has replicated the initial Danish study.

"The science is not in that direction," he said. "The science is on our side."

However, enough questions have been raised about one chemical, di-

ethylhexylphthalate, that manufacturers voluntarily took it out of the formula for the plastics used in children's toys in 1985, substituting another phthalate.

Charles Ludolph, a deputy assistant secretary of commerce responsible for European affairs, said the U.S. position is that "decisions on a threat to health should be based on objective, scientific evidence."

He said the administration wanted the Europeans to delay any decision until they can study a report that the U.S. Consumer Product Safety Commission is expected to complete next month on phthalates.

But Jeff Wiese, policy director of the National Environmental Trust, a public education organization, said, "There's always more science you can do. There's enough science to indicate there is concern."

GE and Pratt Team Up for Airbus

Bloomberg News

TOULOUSE, France — Airbus Industrie said Thursday that General Electric Co. and Pratt & Whitney had agreed to join forces to supply an engine for the planemaker's proposed superjumbo plane, an unprecedented move for the two American rivals.

Airbus said GE and Pratt & Whitney had signed a preliminary agreement to offer a series of engines for its proposed A3XX aircraft, which would seat about 600 people. The engine would be the first to be jointly developed by the two companies.

The agreement takes Airbus one step closer to manufacturing the plane, as it will be able to offer customers a choice of engines. Rolls-Royce PLC, the world's third major engine supplier, already agreed in 1996 to offer its Trent 900 engine for the plane, which Airbus is

counting on to help break Boeing Co.'s dominance on planes with more than 400 seats.

GE and Pratt & Whitney, a unit of United Technologies Corp., said that they would manage the engine project through a limited-liability company called Engine Alliance, which would be 50 percent owned by each.

"Both companies agree the only answer is to do this together," said a GE spokesman, Rick Kennedy.

Mr. Kennedy said both engine-makers believed they could jointly develop the product, to be known as the GP7200, for less than \$1 billion. The engine will cover the 67,000-pounds to 80,000-pounds thrust range.

Eveo though the A3XX will be substantially larger than any existing plane, it will not exceed thrust in the 75,000-pound to 100,000-pound range, as is required for Boeing's 777

model, because it has four engines.

The 777 has been the most successful aircraft since its introduction in 1993. The two companies had looked once before at working together to build an engine for a larger version of the Boeing 747 plane, but the idea was dropped after Boeing abandoned the project.

The two have also talked about jointly developing an engine for a new, heavier version of the Boeing 777.

Airbus needs \$12 billion to develop the A3XX.

The company has said that its four partners — Aerospaciale of France, Daimler-Benz Aerospace AG of Germany, British Aerospace PLC and Construcciones Aeronauticas SA of Spain — will come up with 40 percent of the money from their own funds. It expects another one-third of the financing from government loans and the rest from risk-sharing partners.



LOOKING UP — Henning Schulte-Noelle, chief executive of the German insurer Allianz AG, speaking Thursday in Munich. He projected 20 percent growth for the company in 1998.

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
5400	6200	4200
5650	5900	3900
4700	5800	3600
4350	5300	3300
4000	5000	3000
3500	4700	2700
1997	1997	1997
1998	1998	1998
Exchange Index	Thursday	Prev. %
Amsterdam AEX	1,188.65	1,188.21 -0.04
Brussels BEL-20	3,237.37	3,203.73 +0.86
Frankfurt DAX	5,481.28	5,490.84 -0.17
Copenhagen Stock Market	741.55	734.05 +1.02
Helsinki HEX Generali	4,788.23	4,857.94 -1.41
Oslo OBX	688.11	688.58 -0.07
London FTSE 100	5,682.30	5,670.20 -0.13
Madrid Stock Exchange	377.79	372.60 +0.59
Milan MIBTEL	29,995	29,130 -0.58
Paris CAC 40	4,814.98	4,817.37 -0.05
Stockholm SX 16	4,138.02	4,156.80 -0.45
Vienna ATX	1,588.62	1,585.74 +0.12
Zurich SPI	4,789.51	4,803.03 -0.29

Source: Reuters. International Herald Tribune

Very briefly:

- Russia's Prime Minister Sergei Kiriyenko fired the directors of the oil firm RAO Rosneft after plans to privatize it failed. ITAR-TASS news agency reported. Meanwhile, RAO Gazprom, OAO Lukoil Holding and Royal Dutch/Shell Group said they may still bid for RAO Rosneft. The government said it would schedule a new sale in July.
- ABN-AMRO Holding NV said it would not "rule out" raising its bid for Generale Bank SA of Belgium if Fortis AG, a rival bidder, tried to top its current offer.
- GE Capital Corp., a unit of General Electric Co. of the United States, has withdrawn its bid for Credit Foncier de France SA, a real-estate lender being sold by the government.
- The London Stock Exchange will change its opening time to 9 A.M. from 8:30 A.M. as of July 20 to increase trading at the opening and provide better prices; the exchange is also considering closing at 4:10 P.M. instead of 4:30 P.M.
- Internationale Nederlanden Groep NV's first-quarter net profit rose 87 percent to 1.94 billion guilders (\$956.6 million), as recent acquisitions, including that of Banque Brussels Lambert, Equitable of Iowa, and Furman Selz & Co., added to income.

Bloomberg, Bridge News, Reuters, AFP

WORLD STOCK MARKETS

Thursday, May 28

Prices in local currencies.

High Low Close Prev.

Amsterdam AEX Index: 1188.65

Prev.: 1188.21

ABN-AMRO 50.40 49.30 49.50 50

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The 2,600 most traded stocks of the day.
— Nationwide prices not reflecting late trades elsewhere.
The Associated Press

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Continued on Page 18

هكذا من الاصل

NASDAQ

Thursday's 4 P.M. The 1,000 most traded National Market securities in terms of dollar value, updated twice a year. The Associated Press.									
Symbol	Stock	High	Low	Open	Close	Volume	Net Chg	52-Week High	52-Week Low
IBM	IBM Corp.	100 1/4	99 3/4	100 1/4	99 3/4	1,200,000	-1/4	101 1/4	98 1/4
MSFT	Microsoft Corp.	54 1/4	53 3/4	54 1/4	53 3/4	1,100,000	-1/4	55 1/4	52 1/4
GOOG	Google Inc.	27 1/4	27 1/4	27 1/4	27 1/4	1,000,000	0	28 1/4	26 1/4
AMZN	Amazon.com Inc.	34 1/4	34 1/4	34 1/4	34 1/4	900,000	0	35 1/4	33 1/4
APPL	Apple Computer Inc.	100 1/4	99 3/4	100 1/4	99 3/4	800,000	-1/4	101 1/4	98 1/4
ORCL	Oracle Corp.	44 1/4	43 3/4	44 1/4	43 3/4	700,000	-1/4	45 1/4	42 1/4
CRM	Salesforce.com Inc.	24 1/4	24 1/4	24 1/4	24 1/4	600,000	0	25 1/4	23 1/4
INTC	Intel Corp.	34 1/4	34 1/4	34 1/4	34 1/4	500,000	0	35 1/4	33 1/4
QCOM	Qualcomm Inc.	54 1/4	53 3/4	54 1/4	53 3/4	400,000	-1/4	55 1/4	52 1/4
TXN	TXU Corp.	44 1/4	43 3/4	44 1/4	43 3/4	300,000	-1/4	45 1/4	42 1/4
WMT	Walmart Stores Inc.	44 1/4	43 3/4	44 1/4	43 3/4	200,000	-1/4	45 1/4	42 1/4
DIS	Walt Disney Co.	34 1/4	34 1/4	34 1/4	34 1/4	100,000	0	35 1/4	33 1/4
BA	Boeing Co.	44 1/4	43 3/4	44 1/4	43 3/4	90,000	-1/4	45 1/4	42 1/4
GE	General Electric Co.	34 1/4	34 1/4	34 1/4	34 1/4	80,000	0	35 1/4	33 1/4
MS	Morgan Stanley	44 1/4	43 3/4	44 1/4	43 3/4	70,000	-1/4	45 1/4	42 1/4
JPM	JPMorgan Chase & Co.	34 1/4	34 1/4	34 1/4	34 1/4	60,000	0	35 1/4	33 1/4
WFC	Wells Fargo Bank	24 1/4	24 1/4	24 1/4	24 1/4	50,000	0	25 1/4	23 1/4
C	Citigroup Inc.	14 1/4	14 1/4	14 1/4	14 1/4	40,000	0	15 1/4	13 1/4
GS	Goldman Sachs	44 1/4	43 3/4	44 1/4	43 3/4	30,000	-1/4	45 1/4	42 1/4
AXP	American Express Co.	34 1/4	34 1/4	34 1/4	34 1/4	20,000	0	35 1/4	33 1/4
COF	Capital One Financial Corp.	24 1/4	24 1/4	24 1/4	24 1/4	10,000	0	25 1/4	23 1/4
SPY	S&P 500 Index	1000 1/4	999 3/4	1000 1/4	999 3/4	1,000,000,000	-1/4	1001 1/4	998 1/4

NYSE

Thursday's 4 P.M. Close (Continued)									
Symbol	Stock	High	Low	Open	Close	Volume	Net Chg	52-Week High	52-Week Low
IBM	IBM Corp.	100 1/4	99 3/4	100 1/4	99 3/4	1,200,000	-1/4	101 1/4	98 1/4
MSFT	Microsoft Corp.	54 1/4	53 3/4	54 1/4	53 3/4	1,100,000	-1/4	55 1/4	52 1/4
GOOG	Google Inc.	27 1/4	27 1/4	27 1/4	27 1/4	1,000,000	0	28 1/4	26 1/4
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APPL	Apple Computer Inc.	100 1/4	99 3/4	100 1/4	99 3/4	800,000	-1/4	101 1/4	98 1/4
ORCL	Oracle Corp.	44 1/4	43 3/4	44 1/4	43 3/4	700,000	-1/4	45 1/4	42 1/4
CRM	Salesforce.com Inc.	24 1/4	24 1/4	24 1/4	24 1/4	600,000	0	25 1/4	23 1/4
INTC	Intel Corp.	34 1/4	34 1/4	34 1/4	34 1/4	500,000	0	35 1/4	33 1/4
QCOM	Qualcomm Inc.	54 1/4	53 3/4	54 1/4	53 3/4	400,000	-1/4	55 1/4	52 1/4
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BA	Boeing Co.	44 1/4	43 3/4	44 1/4	43 3/4	90,000	-1/4	45 1/4	42 1/4
GE	General Electric Co.	34 1/4	34 1/4	34 1/4	34 1/4	80,000	0	35 1/4	33 1/4
MS	Morgan Stanley	44 1/4	43 3/4	44 1/4	43 3/4	70,000	-1/4	45 1/4	42 1/4
JPM	JPMorgan Chase & Co.	34 1/4	34 1/4	34 1/4	34 1/4	60,000	0	35 1/4	33 1/4
WFC	Wells Fargo Bank	24 1/4	24 1/4	24 1/4	24 1/4	50,000	0	25 1/4	23 1/4
C	Citigroup Inc.	14 1/4	14 1/4	14 1/4	14 1/4	40,000	0	15 1/4	13 1/4
GS	Goldman Sachs	44 1/4	43 3/4	44 1/4	43 3/4	30,000	-1/4	45 1/4	42 1/4
AXP	American Express Co.	34 1/4	34 1/4	34 1/4	34 1/4	20,000	0	35 1/4	33 1/4
COF	Capital One Financial Corp.	24 1/4	24 1/4	24 1/4	24 1/4	10,000	0	25 1/4	23 1/4
SPY	S&P 500 Index	1000 1/4	999 3/4	1000 1/4	999 3/4	1,000,000,000	-1/4	1001 1/4	998 1/4

صدا ن الاصل

INTERNATIONAL FRANCHISING

STRATEGIES FOR EXPANSION VARY

Foreign revenues are increasingly important.

Franchising, having long ago established itself as an essential part of the American landscape, is quickly becoming just as firmly entrenched abroad. The largest U.S. franchises expanded beyond an increasingly mature local market as long ago as the early 1970s, when French gastronomes rallied at the sight of McDonald's invading the Champs Elysées. Today, French fast-food is no longer an oxymoron, and franchising has penetrated every developed country.

The main question remaining is not whether U.S. franchisers will market themselves abroad, but how. Faced with a saturated and highly competitive local market, many franchisers are making international markets their primary source of revenue—"the tail that wags the dog," as one put it.

Master franchises

Traditionally, franchisers have sold licenses for a master franchise in a single country or region to an individual investor or corporation. The licensee pays a royalty to the franchiser and makes money by granting franchises within that territory. The franchiser assists the licensee with personnel training, advertising, products and everything else needed to run the franchise; just as it does with its U.S. franchisees.

Partlyland, for example, the largest retail party-supply franchise, has sold licenses in the United Kingdom, Portugal, South Africa, the Middle East and South Ko-

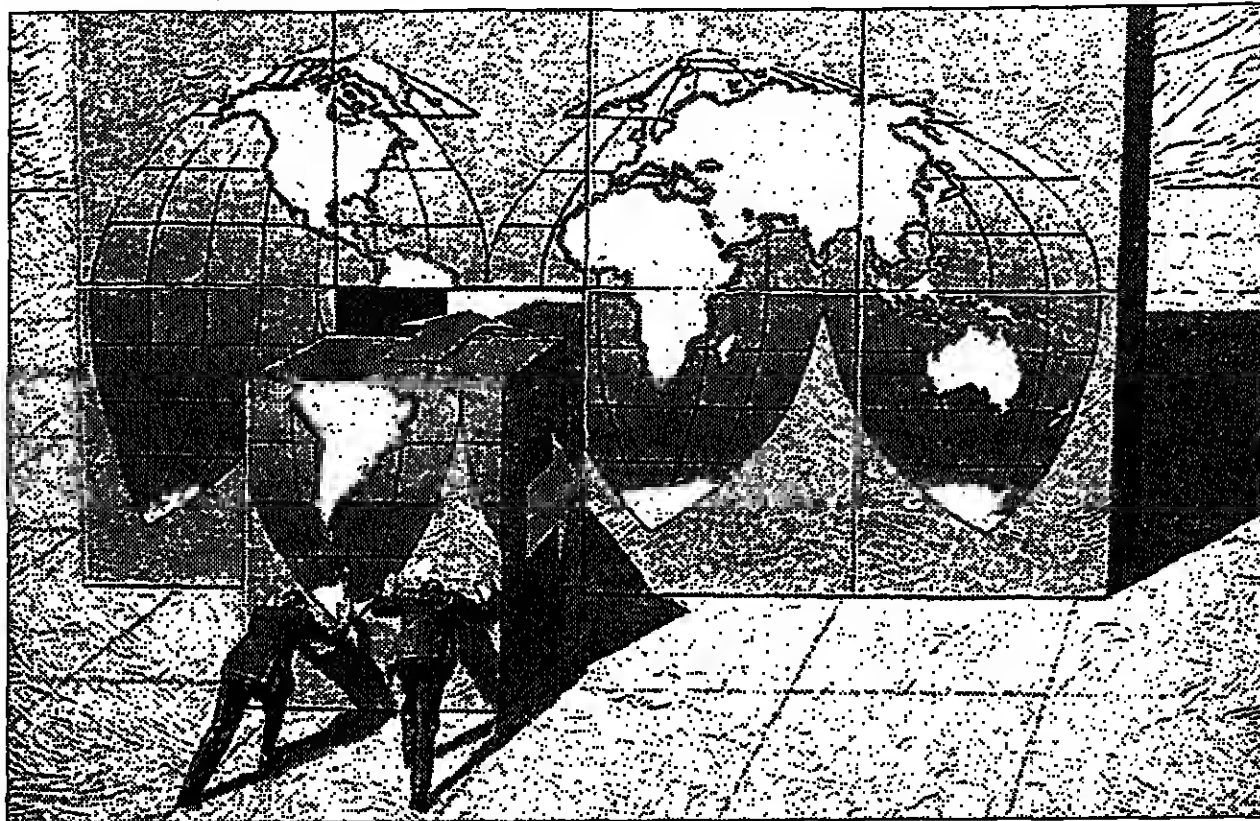
rea. Similarly, the Travel Network has sold licenses throughout Latin America and Europe and even one in Mongolia. Ensuring that the licensee brings enough capital to be able to ensure the success of the franchise is probably more important than knowing the particular industry being franchised, according to Stephanie Abrams, vice president of Travel Network.

As popular as it is, the master franchise is not universal, as Philip Zeidman, a Washington, D.C. lawyer who specializes in franchises, points out. Some franchises are developing their own operations overseas. Many of these franchises have a concept that may be difficult to translate into another culture or are not yet well established in the United States. Often, they develop their own units and then bring in local managers who may begin franchises of their own.

Joint ventures

Some U.S. franchisers are beginning to explore joint ventures. Mail Boxes Etc., which offers mailing services, has benefited from poor postal service in many countries; it has sold master licenses in 61 countries. Most recently, it entered into a joint venture with the Singapore Post Office and a private company.

Ziebart International, an auto-accessories franchise, just began a co-venture with Autobox, a retail outlet for car parts and accessories with 400 outlets in Japan. Ziebart has already opened three out-



Finding the right fit: In addition to master licenses, franchisers are developing their own operations and forming joint ventures abroad.

lets in Autobox stores—its first joint venture abroad. Mr. Zeidman says a mixture of joint ventures and master franchises is becoming increasingly common.

U.S. imports

As franchising becomes a truly universal concept, the flow has turned the other way, with overseas franchises turning toward the

U.S. market. The Wall Street Institute, which teaches English using computers and teachers, is based in Barcelona and is in 14 countries. Right now, it owns all of its franchises, although it has begun to sell master franchises. The first U.S. center opened in Miami. But the company's president, Ricardo Arevalo, plans to expand in the United States,

using the resources of Sylvan Learning Systems, a U.S. franchise that bought Wall Street a year ago.

Humana International is an executive-search firm based in the United Kingdom. American Doug Bugie founded the franchise five years ago. At the time, there were several similar franchises in the United States, but few in other countries. With reven-

ues of \$35 million and franchises in 14 countries, Humana is growing at the rate of 40 offices a year. The multinational nature of business has fostered Humana's growth.

"We developed national networks linked through technology and people," Mr. Bugie says. "Multinationals need people in every country."

WITH CRISIS IN ASIA, ARE GROWTH MARKETS SHIFTING?

U.S. franchisers are taking lumps, but plan to hang in for the long-term, recognizing expansion potential in growing consumer markets.

As the crisis in Indonesia deepens, U.S.-based franchisers are attempting to minimize their losses in Asia. Asian currencies in free-fall are throwing the American companies that depend on royalty payments into a severe cash crunch.

Despite their problems, however, franchisers and consultants uniformly express the belief that the cur-

rent financial crisis only represents a dip in an otherwise rising market. All have expressed the desire, not only to remain in Asia, but also to continue to expand there.

"It's a problem for everybody in the industry," says Rick Bisio, director of international development for AFC Enterprises, the parent company of Church's Chicken and Popeyes Chicken &

Biscuits restaurants. Describing a "double whammy" of hard-currency real estate contracts and a severely depressed consumer base, Mr. Bisio estimates that sales have decreased overall by a few percentage points due to the Asian crisis. Recently, AFC outlets have been forced to close temporarily in Indonesia.

Many master franchises

are part of larger companies, Mr. Bisio points out. "In Asia, many companies are tied together in ownership. So when one company goes down, it brings down others."

Non-U.S. franchisers are feeling the pinch, too. Like others, Doug Bugie, the founder and head of British-based Humana International, has been stung by reduced exchange rates (franchisers are paid royalties in local currency). Humana, however, already doing business in Singapore, is continuing expansion plans for Malaysia and, more surprisingly, Indonesia.

A&W, the venerable root beer franchise, has been in Asia for nearly 35 years. "The solid franchisees have the wherewithal to weather the storm," says CEO Sidney Feltenstein. "Whereas it's not a very good time for the marginal players."

"It's better in the long run," he adds. "When you have a crisis, you focus on what's good and end up stronger." Mr. Feltenstein sees the current crisis "as a bump in the road" in Asia's strong market.

Matthew Shay, the International Franchise Association's general counsel and

international expert, agrees: "Everyone involved in franchising and general business expansion has recognized that there's been some pretty significant changes in the market, but I don't think over the long term it diminishes the demographic for franchise growth and expansion." Mr. Shay points to the huge local consumer market, which, he says, remains largely untapped.

The Latin alternative

In the meantime, franchisers, eager to expand abroad, are looking to other emerging markets, particularly Latin America and, increasingly, the Middle East.

Despite the lack of discretionary income, the emerging democracies in Latin America have created a stable political climate—except in Colombia and Cuba, which is off-limits to U.S. franchisers. In sharp contrast to Asia, local currencies have stabilized. The exception is Brazil, which has so many franchises that it is considered a mature market. Most franchises in Brazil, unlike those in other Third World nations, are domestically owned—80 percent, according to lawyer Phil Zeidman.

Second look at Middle East

When U.S. franchisers first began expanding internationally in the early 1980s, they considered the Middle East prime territory. Wars, terrorism and instability

forced them to reconsider. Many are now taking a second look. "For the first time in a long time, you're beginning to hear about it," says Mr. Zeidman, who cites an "increasing Western orientation" in the region. As in Asia, strong family businesses, interpersonal relationships and local capital are making the region fertile territory for granting master licenses.

Longer-term potential

In the early 1990s, Eastern Europe looked to be the promised land. Years of communism had left a yawning gap between consumers and goods.

Today, the region inspires mostly yawns. "The market has potential," according to Mr. Shay. But it will take time to realize that potential. "Companies prefer the path of least resistance," he adds, "so they prefer markets where the opportunity is now."

Local conditions vary widely. Decent wages and relatively low unemployment have made Poland attractive, for example. Plagued by aging factories, Slovakia and many of the former Soviet republics, on the other hand, are not.

"But," says Mr. Shay, "when you get in on the ground floor, you have the greatest opportunities. There's great opportunity to be taken advantage of in Eastern Europe right now."

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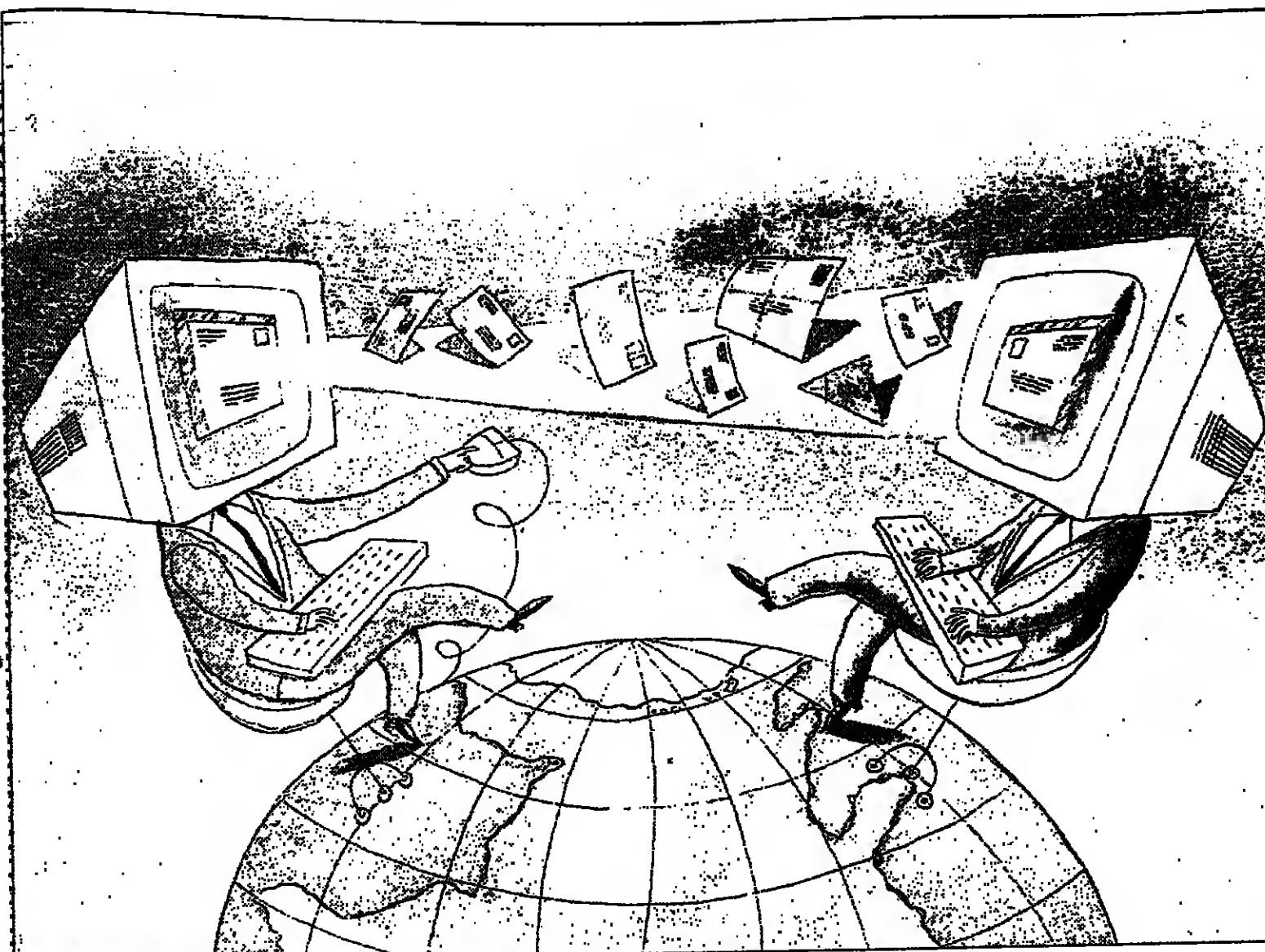
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INTERNATIONAL FRANCHISING



Franchisees are using the Internet to improve communications with and among franchisees and to reach new customers.

CLICK: FRANCHISEES HOOK UP TO INTRANETS

Sites offer support and deliver training or ad materials.

Franchisees have discovered the Internet. The basic concept of a corporate Web site to present a company's product or service to the public remains important. But internal, on-line networks, known as intranets, can play a crucial role in communication between the franchisor and franchisee, and among franchisees themselves.

When AFC Enterprises emerged from bankruptcy in 1992, one of the first actions of the new management was to institute a \$110 million agreement with IBM to build an Internet and intranet system. "We realized that if we were going to expand internationally, we were going to have to stay in touch with our franchise partners and our service people around the world," says CEO Frank Bealati. "We couldn't do that without a high-tech system."

Working together
Steamatic, a cleaning and restoration business, has set up a support intranet for franchisees only. It contains a chat room and a bulletin board where they can post messages concerning problems and questions other franchisees may be able to solve. Franchisees can order supplies, download training manuals, file royalty reports, and review and download new advertising, allowing them to give the franchisor feedback about the efficacy of an upcoming ad campaign and to

submit print run estimates. "The bulletin board is the best feature," says Teri Hill, director of advertising of Steamatic. Only six months old, the site is unsecured, which means passwords are not necessary to access it.

Internal on-line networks, known as intranets, can play a crucial role in communication between the franchisor and franchisee, and among franchisees themselves

unlike most proprietary intranet sites. That will come, Ms. Hill says. "Our vision of this was: first, to get franchisees communicating with each other, because we're worldwide; second, to offer support features to make things a little easier for them."

Reaching customers
Given the growing importance of the Internet to the travel agency business, it is no surprise that Travel Network is working to make its Web site state-of-the-art.

Chemists already have interactive booking capability; wherever they are, they can get price quotes and purchase a ticket, rent a car or book a

hotel room. The on-line computer program can even inject "artificial intelligence" into the request, adding useful information such as whether flying a day earlier or staying over on Saturday would save money.

"Since we consider ourselves a boutique chain of full-service agencies, we bring the same philosophy to our Web site," said Travel Network's Stephanie Abrams. "Every reservation is quality controlled. We don't do the Web to cut down on people; our interest is in expanding the market."

To avoid the appearance of a conflict of interest, a separate company, Travel Network Online, was created. Ms. Abrams considers on-line customers as another, electronic, client base that is not in competition with the franchisees. Any franchisee who wants one is given a home page on the site, which is jointly owned by the franchisor and franchisees. Profits are split between franchisees and Travel Network Ltd.

The Web site is barely six months old, but already the Web site's customer department has doubled. So far this year, airline sales on-line have totaled \$3.5 million. "We haven't begun to market the site," Ms. Abrams adds.

Building for speed
The Web site for Mail Boxes Etc., on the other hand, has been active for nearly six

years. It serves a dual function: as an intranet communications center and as an added on-site service for customers. Its "MBE Blast" already allows the franchisor to send e-mails throughout the entire system.

A contract with Hughes Network Systems (expected soon) will greatly expand the internal e-mailing system. A satellite communications system will link all MBE stores together at 512 kilobytes per second — 10 times faster than a phone and four times faster than so-called high-speed ISDN lines.

There will be no dial-up at all: A click on an icon will immediately connect a franchisee to the main office. As at other sites, franchisees will

be able to purchase inventory and retail items. Local stores will also be able to connect their computers to a central workstation. The company's executive vice president, Tom Herskovitz, says: "The retail customer will be able to walk into an MBE store and access the Internet, get their e-mails and connect to their own companies," using the same ultra-high-speed connection.

The site is already beginning to host chat rooms. At a franchise meeting in Orlando, Florida in August, workshops and training will show franchisees how they can use the site to communicate with each other as well as increase their stores' profits. ■

What Are the Rules?

Franchising has become an accepted part of the landscape in more and more countries. But just as in the United States, where the federal government and individual states are regulating the industry more closely, so too are official governing bodies abroad taking a hard look at franchise agreements and other rules of the road.

Those who advocate the franchise concept as a way to bring more goods and services to underserved populations, as well as to create investment opportunities, view such intrusion with alarm.

"We're very concerned that countries that have no real familiarity with franchising have rushed to adopt legislative or regulatory schemes that would directly affect franchising," says Matthew Shay, the general counsel to the Washington, D.C.-based International Franchising Association.

"In many instances, the very entities that propose this legislation don't understand how franchising works and the basic underpinnings of the franchising relationship essential to the success of the endeavor. Our concern is that countries not act hastily."

Among the nations that have taken what Mr. Shay called "unwarranted" action are Australia, China and Malaysia. Since the beginning of the year, their governments have proposed or adopted regulations that, according to Mr. Shay, "contain elements harmful to franchising."

Philip Zeidman, a partner who heads the franchise practice of the Washington, D.C. law firm Rudnick, Wolfe, Epstein & Zeidman, adds to that list Mexico, the Canadian province of Alberta, Brazil, France, Spain and Russia. "Asia was

thought of basically as a 'free-fly zone,'" Mr. Zeidman observes. "No more."

Despite the fact that, as Mr. Zeidman says, no market is completely closed to franchising, several sets of barriers remain or are being constructed.

Beware of counterfeits

Franchisees are affected by laws governing private enterprise in general. Mr. Zeidman cites the controversy over the lack of trademark and copyright protections in China. Journalists have mostly focused on how the lack of strict enforcement has affected the entertainment and fashion industries, but, in fact, any business is vulnerable to imitations that would not be acceptable elsewhere.

Many former members of the Soviet bloc still have trouble fostering the kind of entrepreneurial climate necessary to encourage individuals to sink their savings into a franchise.

Financial reporting

In the United States, two franchise bills are pending in Congress; although observers do not expect them to pass in this session, they represent a perceived threat to the industry.

Both bills concern a universal method by which franchisors would report their earnings to prospective franchisees. Such a rule may seem innocuous, but in the free-wheeling world of franchisees, the wide range of businesses — from nursing homes to fast food, auto accessories and executive recruitment — necessitates variable methods of reporting financial information.

Such legislation is typical of the kind of scrutiny that franchising is being subjected to throughout the United States.

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WORLD ROUNDUP

Roux Takes Lead

CYCLING Laurent Roux out-sprinted the other members of a breakaway group Thursday to win the 12th stage of the Giro d'Italia and take first place overall.

Roux, a Frenchman with the TVM team, covered the 202 kilometers (125 miles) from San Marino to Carpi in northern Italy in 4 hours, 37 minutes, 8 seconds.

Alex Zülle, the overnight leader, finished with the main pack, more than 2:00 behind. He slipped to third as Andrea Noe, who was part of the breakaway, took second, 19 seconds behind Roux. (AP)

The fifth stage of the Tour of Britain, from Birmingham to Cardiff, was abandoned Thursday after a policeman directing traffic for the race was killed in a collision with a private car. (Reuters)

Avalanche's Rolling Stone

HOCKEY Marc Crawford has turned down a contract extension with the Colorado Avalanche, which he led to the Stanley Cup in 1996.

Crawford, 37, said he wants to pursue other opportunities. He has one year left on his contract. (AP)

Stations Plan NFL Rival

FOOTBALL NBC and Turner Sports, the two losers in the last auction of National Football League television rights, announced Wednesday that they will form their own league.

The league, which would be owned by the two networks, would likely have 10 to 12 teams spread around major U.S. cities, play its games Sundays and begin in the fall of 1999. (AP)

Real Fires Heynckes

SOCCER Real Madrid fired Jupp Heynckes as coach on Thursday. Lorenzo Sanz, the club chairman, said the decision had been taken before Heynckes led Real to the Champions Cup this month. The team finished fourth in the Spanish league.

"If we had not won the European Champions Cup, this would have been one of the worst seasons in recent years," Sanz said. (Reuters)

Silvio Berlusconi, the president of AC Milan, was charged with fraud Thursday over the transfer of Gianluigi Lentini. Berlusconi faces trial on charges of making an under-the-table payment of 10 million lire (\$3.5 million) for Lentini when the club bought him from Torino in 1992. (AFP)

Hooted by Fans, Pierce Makes an Early Exit

French No. 1 Loses to Serna of Spain; Kafelnikov and Kiefer Are Ousted

By Christopher Clarey
International Herald Tribune

PARIS — For a moment, France's most important tennis tournament felt as if it had been airlifted to Barcelona or further still, to Magu Serna's hometown in the Canary Islands.

Serna, Spain's No. 3 woman player, was facing France's No. 1 woman player, but with the match entering its decisive phase late in the second set, the French in the stands on an overcast,

THE FRENCH OPEN

intermittently rainy Thursday were cheering more for Serna's crafty left-handed winners than they were attempting to encourage Mary Pierce.

"I don't think I'd like it if I was playing in Spain, and the crowd wasn't cheering for me," Serna said after she rallied from a 5-1 first-set deficit to upset Pierce, who was seeded eleventh, in the second round, 7-5, 6-2.

By the time Pierce fell behind 5-2 in the final set, the crowd was booing and whistling, and when she walked off court after losing the match with a backhand error, the boos and whistles grew even more insistent. Wheo the giddy, 19-year-old Serna made her exit, she heard nothing but cheers.

"I get more support everywhere else in the world than here," Pierce said in her native English.

Pierce's mastery of the languages that supplanted French as the lingua franca of dealmakers and diplomats is no coincidence. Born in Montreal to a French mother and an American father, she was raised in the United States and chose to represent France largely because of a lack of support from tennis organizations in the United States, who were not enamored of the aggressive, controversial behavior of her father, Jim. He was later banned from accompanying her on the women's tour.

Though Mary speaks fluent French, she still makes basic errors on occasion and is clearly more expansive and at ease in the language she speaks at home in Florida.

But Pierce's lack of core support in France has less to do with her accent and more to do with her decision to spend little time in the country. There is also her mannered, tie-ridden oo-cour demeanor: most players stretch before and after matches. Pierce stretches during hers.

The weak support is also linked to her results. In 1994, oobody was booing when she reached the French Open final

at 19, and after becoming the first French woman to win a Grand Slam title in 28 years by taking the Australian Open, her popularity soared. But in the last four years, she has not advanced past the fourth round at Roland Garros.

In 1996, when she lost in ugly fashion to the justifiably uncelebrated Barbara Rittner in the third round, the crowd on the center court chanted Rittner's name, and a clearly stunned Pierce conducted a testy post-match news conference.

"If I win, I'm the French Mary Pierce; if I lose I'm the French-American," Pierce said Thursday. "That's just how they're going to be. I can only worry about the things I have control over."

Perhaps the crowd on Thursday would have felt differently if it had known that Pierce was suffering from a sore back, which also bothered her at Hilton Head earlier this season.

"It hurt me the whole time," said Pierce, who also said after the match that she planned to undergo blood testing.

Perhaps her sore back explains why she made 35 unforced errors in the match and, more importantly, why she lost seven straight games after leading 5-1.

Not that the versatile Serna is a one-match wonder. She beat Jana Novotna earlier this season on clay, is deceptively quick, and possesses a fine backhand, an effective serve and a flexible forehand that she can hit relatively flat or with heavy topspin. But there is little doubt that Pierce let her opponent back in the match.

"She really seemed to get nervous out there," Serna said.

Playing on the Suzanne Lenglen court seems to have that effect on favorites. Though it was only opened in 1994, it is acquiring a reputation as a Paris version of Wimbledon's Court Two, long known as "the Graveyard."

This year, the top two men's seeds, Pete Sampras and Petr Korda, have lost on Suzanne Lenglen, and the conditions are clearly different than on the slightly quicker center court.

Because of the rain this week, all the courts are playing slower than last year. The consensus among the players is that the balls are slower, too, although tournament officials insist they have not changed.

In short, Roland Garros is a baseliners' paradise this year, which may help explain why a former champion, Thomas Muster, rolled past Nicolas Pietrangeli, a promising German, in straight sets on Thursday to reach the



Arantxa Sanchez-Vicario of Spain hitting a return to Catalina Cristea of Romania on the way to a 6-2, 6-3 victory in the second round Thursday.

third round. It does not explain Thomas Enqvist's 4-6, 7-6 (12-10), 7-6 (7-4), 6-1 victory over the No. 6 seed Yevgeny Kafelnikov. Enqvist, a Swede who has never played his best in Grand Slam events, had never won a match in the French Open until this year. Now, he has beaten the 1996 Opeo champion, who won his title during one of the soggiest, slowest years in memory.

Kafelnikov's loss means that six of the top nine men's seeds are out of the tournament. But with clay court stalwarts such as Marcelo Rios, Gustavo Kuerten, Albert Costa, Carlos Moya and Alex Corretja still alive and well in the draw, it's too early to label this year as one of surprises.

2 Favorites Held, 0-0, in World Cup Warm-Ups

The Associated Press

Germany and the Netherlands, two of the World Cup favorites, were held to scoreless ties on a night when 13 of the 32 cup teams played exhibition games.

Lothar Matthaeus, 37, made his 123rd international appearance but his first since Dec. 18, 1994, as Germany drew 0-0 in Helsinki with Finland, which has not qualified for the World Cup.

In Arnhem, the Dutch drew, 0-0, with visiting Cameroon. The Dutch were without forward Dennis Bergkamp, who has a hamstring injury.

In Casablanca, France beat Belgium, 1-0, with a goal by Zinedine Zidane. It was the second game of a doubleheader; in the first, Michael Owen, 18, became the youngest player to score for England in a 1-0 victory over Morocco. Ian Wright injured a hamstring in the game and will miss the World Cup.

Austria beat Tunisia, 2-1, in Vienna. Harald Cerny and Arnold Wett scored for Austria in the first 18 minutes. Khaled Badra scored for Tunisia.

Norway beat Saudi Arabia, 6-0, and the Saudi goalie, Mohammed Daye, was sent off before the first goal. Mohammed Khlaifi was sent off later in the first half.

Nike Signs Ronaldo's Club

Nike has agreed to a sponsorship deal with Inter Milan that will run through 2009 and is worth at least \$125 million, Italian newspapers said Thursday. The Associated Press reported from Milan.

The star Inter player, Ronaldo, is already signed to Nike, which also has a 10-year sponsorship deal with the Brazilian national team, which Ronaldo will lead at the World Cup.

SCOREBOARD

BASKETBALL

NBA PLAYOFFS

EASTERN CONFERENCE FINAL

WEDNESDAY RESULTS	W	L	T
Indiana 16 16 24 71	87	81	71
Chicago 29 28 30 19-14	86	81	71
6 Miller 5-10 23 14, Best 1-4 11-12 14 G.			
Jordan 12 20 24 25, Pippen 12 14 20 20			
Beckinsale-Indiana 45 (Smith, A.Davis 7)			
Chicago 56 (Pippen 8), Asch 15 (Smith 13)			
(Jackson 2), Chicago 77 (Pippen, Kibick 7)			
Chicago leads series 2-1			

WESTERN CONFERENCE FINAL

WEDNESDAY RESULTS	W	L	T
Minnesota 130 101 100-4 11 0			
Texas 102 100 100-5 11 1			
11 Miller, Tracy 15, Sundell 7, Aguiar 17, and Shierbeck, Barkley, K. Hernandez 16, Bojars 12, D. Peterson 10			
and Rodriguez, W-Trombly, 2-2, L-K. Hernandez 1-1, S-V-Aguirre 0, H-S-Miller 1, W-L-R-L, L-L			
Chicago 805 812 800-9 6 8			
Chicago 805 801 800-12 7 3			
R. Matthews, W. Smith 10, Nelson 10, Holmes 12 and Poyd 10, E. Baskin 10, T. Castillo 10, Sims 7, Karchner 10 and K. Miller 10, W-Sims 1-1, L-Nelson 2-2, S-Karchner 1-1, H-S-Miller 1-1, B-Williams 7, Chicago 805 812 800-9 6 8			
Chicago 805 801 800-12 7 3			
Chicago 805 801 800-12 7 3			
Chicago 805 801 800-12 7 3			

WOMEN'S WORLD CHAMPIONS

VARIOUS SITES, GERMANY

FIRST ROUND GROUP A

Spain 72, China 55	China 74, Argentina 59
STANDINGS: Russia 4 points; Spain 4; China 4; Argentina 3.	
Group B	
United States 87, Lithuania 61	Japan 103, Lithuania 61
STANDINGS: Japan 5 points; United States 4; Lithuania 3; Serbia 2.	
Group C	
Cuba 94, Germany 83	Australia 99, Congo 43
STANDINGS: Australia 6 points; Germany 3; Cuba 3; Congo 2.	
Group D	
Brazil 66, Slovakia 60	Brazil 66, Slovakia 60
STANDINGS: Brazil 6 points; Hungary 4; Slovakia 3; South Korea 2.	

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION	P	C	GB
New York	35	11	24
Boston	29	20	19
Toronto	27	24	19
Tampa Bay	23	27	14
Baltimore	23	28	14

CENTRAL DIVISION

Cleveland	27	21	58
Minnesota	23	27	14
Chicago	20	29	18
Detroit	19	28	19
Kansas City	19	31	16

WEST DIVISION

Texas	31	19	30
Seattle	25	25	30
Anaheim	23	28	19
Oakland	21	29	20

NATIONAL LEAGUE

EAST DIVISION

Atlanta	39	14	25
New York	28	20	18
Philadelphia	24	25	19
Montreal	18	33	20
Pittsburgh	17	35	22

CENTRAL DIVISION

Houston	32	20	12
Chicago	28	23	15
St. Louis	26	24	17
Milwaukee	25	25	16
Cincinnati	24	29	13

WEST DIVISION

Los Angeles	31	10	20
San Diego	28	13	15
San Francisco	27	14	14
Colorado	21	20	11

PLAYOFFS

AMERICAN LEAGUE

Los Angeles	110	100	100-2 11 1
San Diego	110	100	100-2 11 1
San Francisco	110	100	100-2 11 1
Colorado	110	100	100-2 11 1

NATIONAL LEAGUE

Atlanta	110	100	100-2 11 1
New York	110	100	100-2 11 1
Philadelphia	110	100	100-2 11 1
Montreal	110	100	100-2 11 1

CRICKET

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FIRST TEST, SECOND DAY

THURSDAY IN COLOMBO, SRI LANKA

New Zealand: 305	Sri Lanka: 251-7
On 4, David 10, Lurie 5	

CYCLING

GIRO D'ITALIA

Leading positions Thursday in 12th stage, 202 kilometers (125 miles), from San Marino to Carpi.

1. Laurent Roux, France, TVM, 4 hours 37 minutes, 8 seconds.	
2. Simeone Simeone, Russia, Vitalicio, 4:41.	
3. Germano Pandomeni, 11, Confino, 4:42.	
4. Martin Havasi, Slovenia, Confino, 4:46.	
5. Paolo Lanfranchi, Italy, Mapei, 4:47.	
6. Fabrizio Guidi, Italy, Mapei, 4:48.	
7. Andrea Zucchi, Russia, Vitalicio, 4:49.	
8. Rolf Järmann, Switzerland, Confino, 4:50.	
9. J. Luis Rubiera, Spain, Keltia, 4:51.	
10. M.A. Martin Perdomo, Spain, Keltia, 4:52.	

OVERALL: 1. Roux, 58 hours, 39 minutes, 59 seconds; 2. Andrea Noe, Italy, Asics, 59:02; 3. Alex Zülle, Switzerland, Festina, 59:04; 4. Michael Barlow, Italy, Asics, 59:05; 5. Andrei Zinchenko, Russia, Vitalicio, 59:06; 6. Oskar Carmona, Switzerland, Mapei, 59:07; 7. Luc Leblanc, France, Team Polti, 1:25; 8. Marco Pantani, Italy, Marzotto Uno, 1:26; 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 63

POSTCARD

The New Algonquin

By Julie V. Iovine
New York Times Service

NEW YORK — At the Algonquin Hotel, it's out with the old, in with the new. When the plastic wrap is peeled back Monday, a small but significant renovation will have altered the soul of New York's most beloved — and proudly fuddy-duddy — literary canteen.

If it's not 1926 at the Algonquin, no one is supposed to know. The famous table-top bells are back to summon waiters in gray and red waistcoats. Victorian planters hold potted palms. The house cat is in his paneled cubby. There's even a Round Table waiting for a group of wags and wits to hold court on its freshly hewn quarter-sawn oak top.

But at the Algonquin, as at other New York landmarks that have undergone face lifts, from Le Cirque to the New Amsterdam Theater and Grand Central Terminal, the nostalgic resuscitation may stifle a clientele that sees even subtle shifts as seismic. The \$5.5-million renovation by the Camberley Hotel Co. of Atlanta, the second largest in the hotel's richly chronicled 96 years, is potentially the most wrenching.

At the Algonquin, the Round Table may be in, but the Rose Room in which it stood is out. The prim but congenial restaurant, where eight decades of literary lights, from Ring Lardner to Jacqueline Kennedy Onassis, dined on indifferent food and one another's bons mots, has been lost to lobby expansion. In a redrawing of history that might have made Harpo Marx speak up and Dorothy Parker bite her sharp tongue, Camberley has commis-

sioned a large oil painting of Algonquin wits — Robert Benchley, Heywood Brown, Alexander Woolcott, Edna Ferber — in the 1998 space.

Hallways have been papered with New Yorker cartoons and door numbers replaced by plaques bearing names of the Algonquinites. And there's plenty of pith to buy as souvenirs from "The Portable Dorothy Parker" to coffee mugs.

"Everybody is waiting with bated breath," said Andrea Marcovici, the torch singer who recently celebrated her 10th anniversary of performing in the Algonquin's Oak Bar. "We're all kind of scared and anxious to see how it's going to look."

Camberley bought the 165-room hotel last year for about \$30 million. The company's British-born president, Ian Lloyd-Jones, considered a number of updates, but decided that playing up the hotel's past and its tradition of absurdly attentive service would be more profitable — what he calls a "spiritual renovation."

Alexandra Champalimaud was hired to redecorate, and her vision for the lobby was "a moody place clogged with furniture, a rendezvous for academics and authors who still make up the core clientele."

The decor resembles an Italian monastery that has been turned into a five-star hotel: Wine-dark fabrics and heavily carved furniture make for a severe luxury, without allowing in a single ray of that instant mood killer, daylight.

The new owners hope the spirit will be the same. Wisely, they have decided against a jazz quartet or a harpist in the lobby. The only music will be that of good talk.

By Mitchell Owens
New York Times Service

Merlin Holland: The Importance of Being Honest



Merlin Holland's "Wilde Album" is an attempt to understand his grandfather.

NEW YORK — Adolescence is a trying time. For Merlin Holland, the summer he turned 15 was particularly tempestuous. He was finally introduced to the 1895 scandal in which his paternal grandfather, the celebrated Victorian playwright and esthete Oscar Wilde, was convicted in London of gross indecency — homosexuality — and sentenced to two years in prison at hard labor.

"My father and I walked around Chelsea early one morning, and he took me around Tite Street, the King's Road and the Royal Hospital, and began telling a bit about living there as a child," Holland said. When they returned home, his father, Vyvyan Holland, quietly slid a book into Merlin's hands and said, "I suppose it's time you read this."

It was "Son of Oscar Wilde," Vyvyan Holland's memoir about the father he had loved and lost. "It was a bit like sex education: He knew it was time to broach the subject, but how much to tell?" Merlin Holland, 52, said with a laugh.

"I went through the same thing with my own son," he added. "It's part of history, but it's family history, too, so you want to tell it properly, from your own perspective, not a scholar's." Which explains "The Wilde Album" (Henry Holt), Merlin Holland's attempt to understand "my grandfather and the things he did that brought my family to its knees."

A pocket-size, 192-page pictorial journey, it tries to recreate the family albums that were lost in an auction of the family's belongings in the 1890s. It follows Oscar Fingal O'Flahertie Wills Wilde from his birth into a world-famous intellectual family in 1854 in Dublin to his death in a hotel in Paris in 1900.

A shaming, oh-ese shell of a man, Wilde, at the end, was demonized by press and pulp; stripped of his reputation; abandoned by Lord Alfred Douglas, the love of his life, and deprived of his two children, whose surname had been changed to Holland as a cloak of anonymity.

"My father was 8 when he last saw Oscar, 12 when his mother died and 14 when his father died," said Holland, adding: "We never reminisced about Grandpa. There simply wasn't any common memory." When as a teenager he asked questions, his elders were quick to dismiss him. His mother cheerfully dismissed the affair with Lord Alfred — "a tempestuous, unreliable, dazzlingly beautiful boy," he said — as purely platonic.

"Of course, I very much relieved in have been told what must be the truth," he said, "relying on information from a friend at school, who told me precisely what he thought of my grandfather. It ended up in a punch-out."

It wasn't the only ride awakening of his teenage years. During the same summer he learned about his grandfather, he perused his father's papers to discover that his school fees were being secretly paid by the novelist Rebecca West, a family friend who came to the rescue when unpaid income taxes beggared Vyvyan Holland into bankruptcy.

Getting on with their lives was not easy for the Hollands, which none of the recent plays and movies about Oscar Wilde address, including the new film "Wilde," starring Stephen Fry.

Constance Lloyd, a lawyer's daughter, married Wilde in 1884. She was hounded out of England after the sentencing, enrolled her sons in obscure schools in Monaco and Germany. She settled in Genoa, where she died

in 1898 at 39, still longing to make a home with her husband despite everything. "That would have been a disaster," said Holland. "He was gay, he had to do what he did to be true to himself, but my father always maintained the trial broke Constance's health."

The scandal also shortened the life of Wilde's oldest son, Cyril, who became a soldier "to prove himself as a man and ended up killed by a sniper in World War I, probably doing something foolhardy and heroic," said Holland, whose next book, "After Oscar," is to be a study of how the trial's aftermath affected Wilde's family, friends and literary reputation.

Wilde's long-ago infancy seems to haunt his family's steps even now. Recently, Holland's wife, Sarah, and their son, Lucian, 19, paid respects at Constance's grave in Genoa. Alas, the Oscar Wilde Society had smothered it with red roses and alerted the Italian press that the descendants were in town.

"There went that private moment," Hol-

land said with a shrug. Now, he is bracing himself for the centennial of his grandfather's demise. "Can you imagine what it's going to be like at Pere Lachaise in the year 2000?" he said of the Paris cemetery where Wilde's body is interred. "A circus."

Though his grandfather died long ago and little was ever said about him within the family, Holland said: "I eventually came to have a great deal of anger about Oscar, over his pigheadedness, his insensitivity, his decision to take on the establishment and not consider the consequences. I was angry, too, at British society making him the scapegoat for an awful lot of what was going on at the time, showing that it meant business."

When Gallimard, the French publisher, asked him to complete a biographical picture book to accompany a multivolume translation of Wilde's collected works, he jumped at the chance, as much out of a sense of duty as out of a sense of reclaiming his birthright. "The Wilde Album" is an expanded adaptation of the Gallimard edition, with more about Wilde the man than Wilde the symbol.

The truth of Wilde, he said, is what keeps confounding scholars, playwrights and movie makers. "The duality of Wilde is what I find so fascinating," said Holland, who said he had been asked to work as a consultant on the "Wilde" film but bowed out due to creative differences. "He was a married man who was also a homosexual, a Protestant who admired Roman Catholicism, an Irish nationalist who was lionized by the English aristocracy. He was a literary rebel, but half the movie was devoted to his homosexuality. Thirty percent would have been better and allowed for a more rounded portrait. The film turns him into a monochrome gay instead of a polychrome artist who happened to be gay as well."

Long out of print, the letters of Wilde are to return to print in 2000, edited by Holland, and some members of the British press have intimated that Holland will reclaim the family name that year, too, for himself and his son, Lucian.

"I do think about it," he said. "But if I did it, it would have to be not just for Oscar, but for his father and mother, too, for the whole family. It was an extraordinary family before he came along, so if I put the family name back on the map for the right reasons, then it's all right."

He added: "I am one of them. I may not have done what Oscar did, or his parents, but I'm still a Wilde."

PEOPLE

SOTHEBY'S New York will auction 14 letters written by Frederic Chopin to one of his closest friends and confidants in the final years of life, Count Wojciech Grzymala, a Polish émigré who lived as a dilettante in Paris. Chopin wrote to him of his love for George Sand, of the tuberculosis that was to take his life, of his travels and of his distaste for his life in London. "I have to go around in society circles every evening until late," he wrote. "I am not strong enough for such a life. If only it brought money." Sotheby's hopes the letters will fetch \$250,000.

The Comedie Francaise may trace its origins to 1680, but that doesn't mean it can't adapt to the age of the Internet. Beginning next month, the state theater of France will maintain an English-language Web site where browsers will be able to read the history of the company and to reserve tickets. The address will be: www.comedie-francaise.fr

More than 15,000 Protestants and Catholics rocked together past dark with Elton John at a concert celebrating Northern Ireland's peace agreement. John played free at Stormont, the Belfast negotiating venue where the historic multiparty accord was reached in April. Britain's secretary for Northern Ireland, Mo Mowlam, tripping a bit on the only formality of the occasion, introduced the star as "Mister — oh, sorry — Sir Elton John." Profits from sales of the \$41 tickets will go toward

improving facilities at Stormont, which will serve as the base for Northern Ireland's new cross-community government.

It's in one of the trendiest parts of London, has three bedrooms and Diana, Princess of Wales, said she spent the happiest days of her life there. Now the apartment that she

shared with several girlfriends before her engagement to Prince Charles is up for sale. Prospective buyers can see the apartment in an early 20th century mansion in Knightsbridge next Monday and Wednesday. The asking price is \$738,000.

Cybill Shepherd wants it known that she's no lady. "That's a pejorative term to me," the former fashion model turned actress-producer says in the June issue of Living Fit magazine. "Being a lady represents less than I can be." Feel free, though, to call her sexy. Shepherd, 48, wants the world to know that women her age are "more beautiful, more sexy, more powerful than ever." She adds: "It's O.K. to get older; menopause is exciting and it's terrifying — I feel my emotions more intensely. But, as I tell my kids, being afraid takes courage. It's how you deal with the fear that counts."

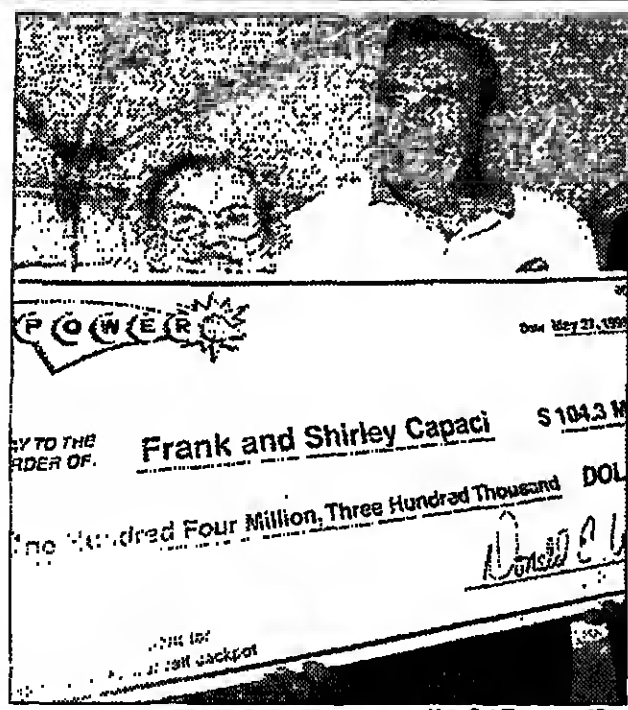
Students' plans to play Fleetwood Mac's song "Land-slide" at a baccalaureate program in a church in Huntsville, Alabama, fell apart after the minister said the group was satanic. Moments before the service was to begin, the class vocalist Emily McDowell was told she couldn't sing the wistful song about growing older and changing. "The music minister said the leader of Fleetwood Mac is a witch and a Satan worshipper," McDowell said. "I was in shock. So I pointed out the fact that I was a Christian and I wasn't singing the song to go against God."

An Opening for McNally Play?

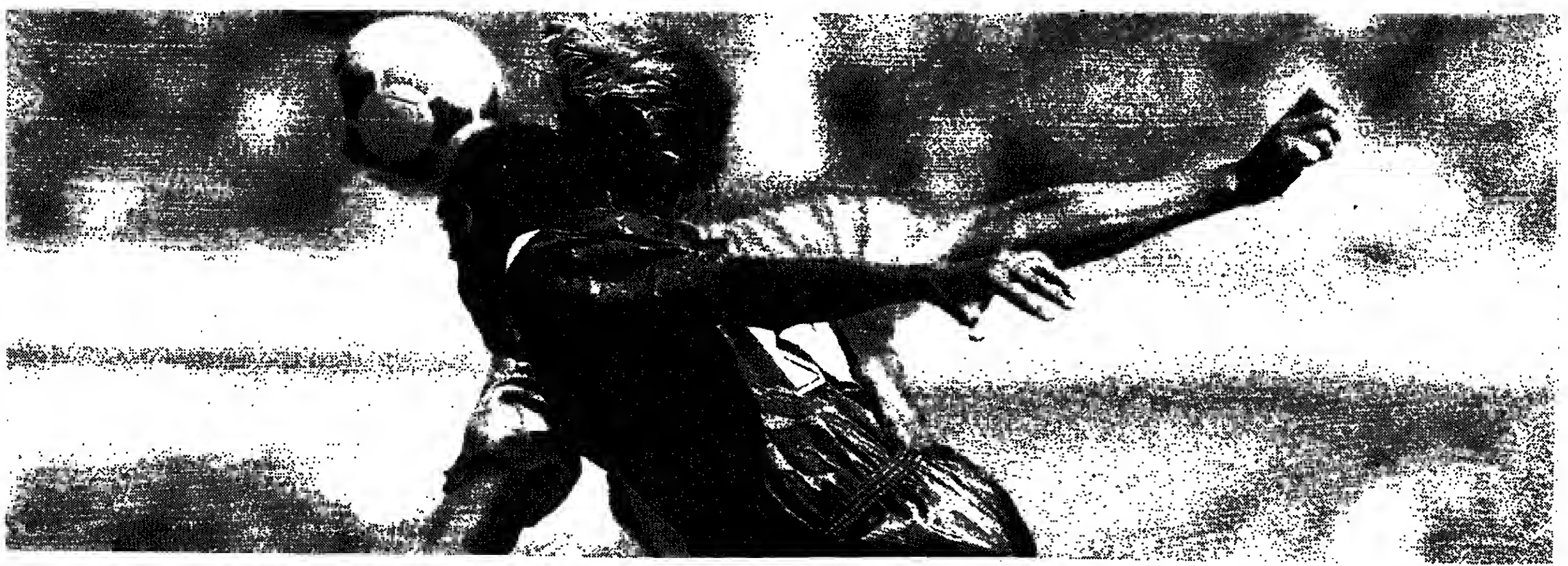
NEW YORK — Several theaters have offered to stage a Terrence McNally play about 13 gay men who meet to enact the story of Jesus, the playwright said, after the Manhattan Theater Club canceled its production.

He said he had bitterly opposed the theater's decision, which cited threats to burn down the theater, kill its staff and "exterminate" McNally. He said he was considering the proposals, one of which came from the Williamstown Theater Festival in Massachusetts. It has offered to produce "Corpus Christi" in its 1999 season, he said.

Without second-guessing the Manhattan Theater Club's action, said Michael Ritchie, the producer of the Williamstown festival, "Terrence's work deserves to be seen." McNally declined to identify the other theaters he said had come forward.



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